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## **BRITAIN'S WAY TO SOCIAL SECURITY**



# BRITAIN'S WAY TO SOCIAL SECURITY

*by*

François Lafitte

PILOT PRESS

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# TARGET FOR TOMORROW SERIES

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# CONTENTS

## PART I. BUILDING THE SOCIAL SERVICES

VICTORIAN TIMES	7
<i>Self Help—Charity—The Poor Law.</i>	
COMPULSORY THRIFT	10
<i>Breaking up the Poor Law—Labour Exchanges and Unemployment Insurance—The Poor Man's Doctoring—Business Butts in on Social Service—Social Insurance between the Wars—A New Job for the U.A.B.—The End of the Poor Law?</i>	
THE PURPOSE: INCOME-MAINTENANCE	20
<i>New Services—but an Old Idea—A Single Club for the Nation—The Assistance Method—The Insurance Method—Who Foots the Bill?</i>	
EIGHT MAJOR FLAWS	25

## PART II. BEVERIDGE BLUEPRINT AND COALITION PLAN

MAKING PLANS	30
<i>"The British People Become Articulate"—The Plan's Reception—The Coalition and the Plan.</i>	
A NATIONAL MINIMUM FOR ALL	39
<i>All-In Insurance—Budgeting for Human Needs—What about the Rent?—The Coalition and the Subsistence Principle.</i>	
BENEFITS AND OBLIGATIONS	47
<i>The Children's Share—The Old People's Share—No Pension while you Work—The Widow's Portion—Unemployment and Training for Work—Sick Pay and Medical Services—Industrial Injury and Disease—Wives and Mothers—Death Expenses—A Bad Bargain—A State Life Insurance Service?</i>	
MACHINERY	75
<i>The Ministry of National Insurance—One Approved Society—the Nation.</i>	
THE COST	78
<i>If Unemployment Returns—A Day's Work Once in Ten Weeks—Sharing the Cost.</i>	

## CONTENTS

<b>PART III. TARGETS FOR SOCIAL SECURITY</b>	
<b>INCREASED BENEFITS</b>	87
<b>A REVISED PLAN FOR PENSIONS</b>	87
<i>No Sub-Standard Benefits—Stronger Inducements to Defer Retirement—A Special Employment Policy for the Elderly.</i>	
<b>BETTER BENEFITS DURING WORKING AGE</b>	91
<i>Abolition of Invalidity Benefit—Unemployment Benefit of Unlimited Duration.</i>	
<b>ONE INSURANCE SCHEME, NOT TWO</b>	93
<i>Review of Disability Benefit Rates—Review of Provision for Dependants.</i>	
<b>BETTER PROVISION FOR MOTHERS AND CHILDREN</b>	95
<i>Improved Maternity Benefits—More Generous Children's Benefits.</i>	
<b>SECOND THOUGHTS ON DEATH EXPENSES</b>	98
<i>Funeral Reform—Rationalisation or Nationalisation of Industrial Assurance.</i>	
<b>FINANCIAL CHANGES</b>	99
<i>The Case for Reform—The Case for Waiting.</i>	
<b>A MACHINE FOR SOCIAL SERVICE</b>	101
<i>Building the Machine—Making it Work.</i>	
<b>A SECURE SOCIETY</b>	104
<i>A Stable Cost of Living—A Comprehensive Medical Service—National Control of Land Values and House Rents—Full Employment in the Satisfaction of Social Needs.</i>	
<b>INDEX</b>	108

## PART I. BUILDING THE SOCIAL SERVICES

### VICTORIAN TIMES

ANYONE over fifty can remember Queen Victoria's funeral. Yet the forty years which separate the Boer War from the Nazi War have been so crowded with changes—scientific, industrial, social, intellectual, moral—that even elderly people find it difficult to recapture the mental atmosphere and social attitudes of the closing years of the Victorian age. The effort to think back is worth making.

Forty years ago another war—against the Boers—had just ended. From all sides came demands for social reform. But a public which knew nothing of vitamins scarcely recognised the existence of a malnutrition problem; and unemployment was still regarded almost wholly as a personal defect of individuals rather than as a problem of society. Apart from education, most of the social services which are so critically discussed today simply did not exist. An extremely limited workmen's compensation scheme and a very defective Poor Law were the only "social insurance and allied services" then provided. There were no meals or milk or regular medical supervision for school children; no employment services; no legal minimum wages or statutory holidays with pay; no unemployment or sickness insurance; no pensions for widows, orphans, old people or the blind.

### *SELF HELP*

In those days the worker was expected to fend for himself in all the contingencies of life—he could apply for charity or poor relief if all else failed. Thrift was his first line of defence; and, especially after 1850, the common man's determination to stand on his own feet was shown by the great expansion of friendly, industrial and provident societies, by the growth of the trade union and co-operative movements, by the development of the burial insurance business, and by the swelling deposits in the Post Office and Trustee Savings Banks. In 1845 Disraeli had estimated that "the Benefit Societies have money in the banks that would maintain the whole working classes . . . for six weeks." By 1903 the accumulated savings of ordinary folk amounted to about £450,000,000—perhaps enough to maintain them for six months. A few trade unions provided out-of-work benefits and sick-pay for their members and sometimes superannuation allowances when funds permitted. Out of the eighteenth century network of fraternities and local benefit clubs, with their common funds

for sick-pay, burial money and other purposes, had grown the modern friendly society movement, led by the nation-wide, financially more dependable "centralised" and "affiliated" societies. Many societies, together with a variety of special medical clubs, made contracts with individual doctors to secure medical care for their members.

The genuine friendly societies had increasingly relinquished the provision of burial expenses and petty life insurance to agencies specialising in "industrial assurance." In place of mutual associations built up by the workers for themselves, large-scale "collecting societies" organised for the workers by sharp-witted agents had emerged. Already by 1870, say Wilson and Levy (*Industrial Assurance*, 1937), "a new class of intermediary strangers had come into existence, replacing the old bond of personal faith and friendship by commercial instincts, scarcely hidden behind a veil of demonstrative humanity and friendliness." These bodies, in turn, were being increasingly outstripped by commercial companies—among which the Prudential led the way—built up by business men for business reasons, to turn to their own advantage the workman's dread of a "pauper's funeral."

### CHARITY

The benefits, often precarious enough, of these laboriously built-up thrift institutions were reserved for a minority of relatively prosperous skilled workers who could afford to save. The majority of the common people throughout the Victorian age were too poor and insecure to hope of paying regular contributions to a union or a friendly society, or to pile up a dividend at the Co-op. They had only charity or the Poor Law to fall back upon. Nearly all Britain's best hospitals were then charitable foundations, voluntary hospitals giving their services free of charge to all in need; and charity was responsible for starting dispensaries in many towns for the medical treatment of those without a friendly society or doctor's club to help them. There were also many endowments to provide alms houses or pensions for respectable old people.

But the bulk of charitable endeavour took the form of countless funds and organisations to dole out cash, food and clothing to the "deserving poor." This alms-giving was generally conducted by well-meaning sentimentalists, who badgered the rich for large sums of money which they distributed indiscriminately among all who applied for relief. The Poor Law authorities made matters worse by doling out relief without discrimination, and at rates which were invariably insufficient because it was taken for granted that charity would supplement the relief they gave. These methods were wasteful and ineffective; they fostered conscience-salving self-indulgence among the rich, while sapping the morale of a section of the poor by the encouragement of scrounging and dishonesty. The Charity Organisation Society, founded in 1869, did much to improve

the quality of charity work by insisting on careful and constructive case-work so that each individual could be helped in the way best calculated to restore him to independence. But so clearly did some of its leaders see the personal factor in poverty that for far too long they shut their eyes to the at least equally important social factors which were beyond the individual's control.

### THE POOR LAW

Finally, there was the Poor Law, the grandmother of all our modern social services. The Victorian Poor Law was essentially an instrument designed during the Industrial Revolution to coerce a people still clinging to the habits of village life into accepting the discipline of the master's machine and his clock, and work away from home on another man's material and instruments and on his terms. It was fashioned by a Royal Commission in 1832-34, which laid down two basic principles for the treatment of "able-bodied paupers": (1) if relief were granted at all, it should be granted in such a way as to place the "able-bodied pauper" in "a condition less eligible than that of the independent labourer of the poorest class"; and (2) wherever possible no "able-bodied pauper" should be granted relief, "except as to medical attendance," unless he agreed to enter "a well-regulated workhouse." In "some rare cases" this would cause hardship, but no exceptions should be made. "Where cases of real hardship occur, the remedy must be applied by individual charity, a virtue for which no system of compulsory relief can be or ought to be a substitute."

The history of the Victorian Poor Law is a story of repeated, but repeatedly less successful, attempts to carry out "the principles of 1834." The Poor Law was an "omnibus" service, dealing with every type of want and distress. The Guardians had no staffs to investigate individual cases properly, so they usually worked on the principle of penalising all "paupers" alike for fear of wasting money on liars and loafers. They were not obliged to provide anything more than workhouse relief, though they were permitted, without being encouraged, to give outdoor relief to "paupers" who were aged or "impotent." The unemployed were usually offered the "House." If they received outdoor relief, it was subject to a "labour test," in which tramps, loafers and decent men were all lumped together on work that was neither satisfying nor useful. A system which, as Lord Samuel remarked, was "elaborately framed for the punishment of the idle and the vicious," was applied equally to men of good character who had the misfortune to be without work. Widows, unless they had several children, were usually offered the workhouse or nothing. A widow with several children might be offered the workhouse for her children and told to go and work for her living; or, if she were "respectable" and able to supplement her relief by other means, she might get a meagre

outdoor pittance, sometimes only in kind. Seventy per cent of the widows on outdoor relief in 1910 were earning, but their earnings were largely wasted because they had to neglect their children in order to work.

The aged were somewhat better treated, though without much consistency. Some Guardians relieved the aged only when they were infirm as well; others had a fixed age at which a "pauper" ceased to be able-bodied and would be treated more generously as an old person. Outdoor relief of the aged was common, but the threat of the "House" was widely used to induce relatives to support old people. Nearly one-third of all people over 65 in 1894 were receiving poor relief.

By the death of Queen Victoria the development of separate Poor Law infirmaries was bringing into being a system of public hospitals whose services in many areas were so much in demand that it was becoming increasingly difficult to reserve them exclusively for those who were technically "paupers." But "medical relief" outside the infirmaries was very inadequately provided by over-worked, underpaid and usually part-time district medical officers. In most areas they had to supply drugs out of their own salaries! Their services were reserved for the "destitute," who in one district might be defined as all below a certain income level, while in another district the only people eligible might be those actually on relief or those who could only afford a doctor if they ceased to buy food. "Medical relief" was often granted only as a loan, or only for a few days. Sickness was a major cause of "pauperism." Persons receiving medical treatment constituted one-third of all "paupers" in 1907 and absorbed at least one-half of all Poor Law expenditure.

Finally the "general mixed workhouse" in which the able-bodied and the sick, the very old and the very young, the immoral, the half-witted and the respectable all rubbed shoulders, was as late as 1909 still the typical Poor Law institution. Very little had been done to give effect to the recommendation of the 1832 Royal Commission that different types of workhouse inmates should be lodged in different buildings, in particular so that "the old might enjoy their indulgences without torment from the boisterous."

## COMPULSORY THRIFT

### *BREAKING UP THE POOR LAW*

After the Boer War there was a new ferment of social unrest. People increasingly questioned whether individual thrift, supplemented by charity and poor relief could suffice to solve problems that were at least as much social as they were personal. If individual self-help and voluntary thrift were virtues, why condemn collective self-help or compulsory thrift organised by the State as necessarily vicious? Why not "break

up" the Poor Law by removing from it various classes such as the unemployed, the sick, the aged, the widows and orphans, and providing for them special social services designed to meet their particular needs? These views were naturally strenuously resisted by "individualists," but there was no doubt about the trend of public opinion. At the election of January 1906 an informal alliance of the middle classes and the labour movement inflicted on the Conservative Party the most startling defeat in its history, and established a Liberal Government pledged to social reform. The movement for social reform was immensely stimulated by the work of a new Royal Commission on the Poor Laws which had been appointed by the Conservative Government just before its defeat, and which published voluminous majority and minority reports in 1909. Though its members were sharply divided on matters of policy, the Commission made an even more exhaustive investigation into the facts of poverty in general and of unemployment in particular than its predecessor of 1832-34. Its revelations helped the nation towards a much clearer understanding of the problems which had to be solved and thus paved the way for many of the reforms of the next generation, though not always along lines anticipated by either the majority or the minority reports. In its first year the new Government extended workmen's compensation to cover the vast majority of workers and to include certain occupational diseases, and permitted education authorities to provide meals for hungry school children. In 1907 education authorities were required to introduce regular medical inspection of school children and permitted to give treatment for minor ailments.

Still more important, in 1908 Lloyd George secured the introduction of non-contributory State pensions of 5s. for old people from the age of 70. True, the pensions were subject to a means test and at first they were hedged about with many "moralistic" qualifications, because they were intended as an aid for the thrifty and "deserving" poor. But for the first time the State was recognising that people might be poor through no fault of their own, and that it had a duty to help them from public funds without punishing them by loss of political rights or the stigma of "pauperism."\* By the outbreak of the last war three out of every five persons over 70 were drawing pensions. The break-up of the Poor Law had begun, though every step was strongly opposed by the Bourbons of individualism. To them workmen's compensation was "socialistic" and old age pensions were either "communism" or "demoralisation"; while school meals and medical services would undermine family life and parental responsibility.

\*Yet only nine years previously a Select Committee on Old Age Pensions had felt unable to recommend State pensions, because "if the State is to provide the means for the cost of the pensions, the State, it seems to us, must necessarily administer the scheme, and that is a proposition which we are unable to support."

## LABOUR EXCHANGES AND UNEMPLOYMENT INSURANCE

In 1909 the Trade Boards Act was passed, so that minimum wages could be enforced in sweated occupations, and the Government got busy preparing the ground for compulsory social insurance. Britain owes her modern social insurance system and employment services chiefly to the energy and imagination of two Ministers—Lloyd George and Winston Churchill—and of a brilliant band of assistants which included Sir H. Llewellyn Smith, Sir William Beveridge, W. J. Braithwaite, Sir Robert Morant, Dr. Smith Whitaker and Sir John Anderson. The most popular idea at the time was the creation of *voluntary* insurance schemes to which workers and employers would contribute, and which would be subsidised by State funds. But the Government was driven to the conclusion that nothing short of compulsory State-organised insurance had any chance of real success. Any voluntary system would inevitably leave out millions of the poorest workers whose need for insurance was greatest. Less than a million workers belonged to unions which attempted to pay out-of-work benefits, and even the friendly society movement covered, rather inadequately, hardly more than 6,000,000 people. Lloyd George and Winston Churchill therefore conducted an eloquent campaign to popularise the idea of compulsory insurance. Churchill declared in 1909: "If I had to sum up the immediate future of democratic politics in a single word, I should say 'Insurance.' . . . By sacrifices which are inconceivably small, which are all within the power of the very poorest man in regular work, families can be secured against catastrophes which would otherwise smash them up forever." And in 1911 Lloyd George made his famous speech offering the workers "9d. for 4d."

A national system of employment exchanges—without which unemployment insurance could not be operated—had been suggested by the Royal Commission on the Poor Laws and was brought into being in 1909-10. In 1911 Britain adopted, without much discussion, the first compulsory unemployment insurance scheme in the world. The scheme was experimental. It applied only to four industries, and paid only 7s. a week for 15 weeks in a year and nothing for dependants. But trade was good and the scheme worked well.

## THE POOR MAN'S DOCTORING

Lloyd George's national health insurance scheme, adopted in the same year, at first aroused passionate opposition on almost every side. Upper-class hostility took the form of mass meetings which declared that a free people would "die rather than bow before a foreign tyrant from Wales" and vowed that they would never "lick stamps for Lloyd George." Even the workers who were to benefit were mostly lukewarm. They tended to see the immediate sacrifice demanded of them more clearly than the

advantages that were to accrue. Many prominent Socialists and trade union leaders objected to compulsory workers' contributions or feared that State competition would ruin the trade union and friendly society benefit schemes. With far greater justification the doctors strenuously fought many features of the bill. Many friendly societies and most of the medical clubs of the day treated their doctors shabbily. Often the members had no freedom to choose their own doctor, and the doctors strongly resented being controlled by the non-medical managers of these institutions, particularly where, as sometimes happened, a club's doctor was chosen by a mass meeting of the members. Lloyd George's original bill would have left the doctors entirely under the control of the friendly societies and clubs; it allowed no real freedom of choice of doctor by patient, and did not contemplate the present panel system whereby any doctor can put his name on the list of those willing to treat insured workers. The doctors had no really constructive alternative to the scheme as a whole, but they knew very well what they did *not* want and were rightly angry because the Government had not bothered to consult them when the bill was being framed. The British Medical Association forced Lloyd George to give them satisfaction on the most important points—control of "medical benefit" not by friendly societies but by special "insurance committees" on which doctors would be represented, freedom of choice, and the right of every doctor to take part in the service.

They then went on to demand that only workers earning not more than £2 a week should be entitled to insurance medical services! They also pressed for a minimum annual payment to doctors of 8s. 6d. per panel patient. Parliament refused to impose any income limit for manual workers, but excluded from the scheme non-manual workers earning more than £160 a year. All through 1912, after the bill had become law, the B.M.A. kept up a running fight for the 8s. 6d. capitation fee. It persuaded the great majority of general practitioners to sign an "Undertaking and Pledge" to the effect that "I will not enter into any agreement, giving medical attendance and treatment to persons insured under the Bill, except such as shall be satisfactory to the medical profession and in accordance with the declared principles of the B.M.A." Lloyd George made his final offer, a fee averaging about 7s. 3d., in October 1912. On 28th December, 1912, a special representative meeting of the B.M.A. decided by 182 votes to 21 to appeal to the whole profession to refuse to work the Act on the terms offered. Less than three weeks later, on 15th January, 1913, the insurance medical service was due to be made available to 13,000,000 workers. In the last week the "strike" broke down and the "Undertaking and Pledge" was generally dishonoured. On the appointed day the scheme came into force, and it was discovered that no less than 17,800 doctors had taken the precaution of signing on for panel work. The following weekend a further representative meeting of the B.M.A.

decided retrospectively to release those who had signed the "Undertaking and Pledge" from their obligations. By united action the B.M.A. undoubtedly brought about big improvements in the badly thought-out medical provisions of the scheme; but their ill-conceived agitation for a £2 income limit and the spectacular handing in of "strike notices" did them no credit, but aroused a great volume of prejudice which panel doctors did not live down for some years.

### *BUSINESS BUTTS IN ON SOCIAL SERVICE*

The friendly societies were afraid that high cash benefits would diminish their own voluntary subscriptions. They therefore objected to direct State administration of the new insurance benefits and insisted on being allowed to administer the State's sick pay along with their own funds. Even fiercer opposition came from the industrial assurance companies and collecting societies. Their officials formed a powerful organisation, known as the "Combine," to wage a furious campaign against Lloyd George's idea of including a funeral payment in the scheme, as was done in most other countries. They also demanded that they too, like the genuine friendly societies, should be allowed to administer State cash benefits. The campaign was led by Mr. Kingsley Wood, then (according to the *Insurance Mail*) "the best known solicitor of the insurance world." Faced with opposition from so many quarters, Lloyd George finally gave in to the companies on both issues. As Mr. A. McKechnie, chairman of the Royal Liver, pointed out with satisfaction, he had been "compelled to admit that the vested interests of the Industrial Assurance Companies and Collecting Friendly Societies must be respected." Indeed, once the friendly societies had obliged the Government to abandon the idea of direct State administration of sickness benefits, there was no possibility of keeping out the industrial life offices, for the old friendly societies could never have coped with the millions of workers who were about to be insured for the first time. If the State was not to do this new job, the industrial life offices were the only private organisations capable of taking it on; without them, as Lloyd George stated 20 years later, the scheme would have broken down completely.

The scheme which finally emerged provided for the worker, but not for his dependants, the services of a general practitioner of his choice, sick pay of 10s. for a man and 7s. 6d. for a woman, both reduced to 5s. after 6 months, and a 30s. maternity benefit. The cash benefits were to be administered by "approved" societies for their own members; and any organisation registered for any purpose—not merely certain friendly societies, as originally planned—might be "approved" provided it conducted its health insurance business without profit and provided its rules allowed its members to control the society's activities. What did this mean in

practice ? R. W. Harris, one of the civil servants who planned the scheme, gives in his memoirs (*Not So Humdrum*, 1939) a candid view of the affair as it appeared to all impartial observers :

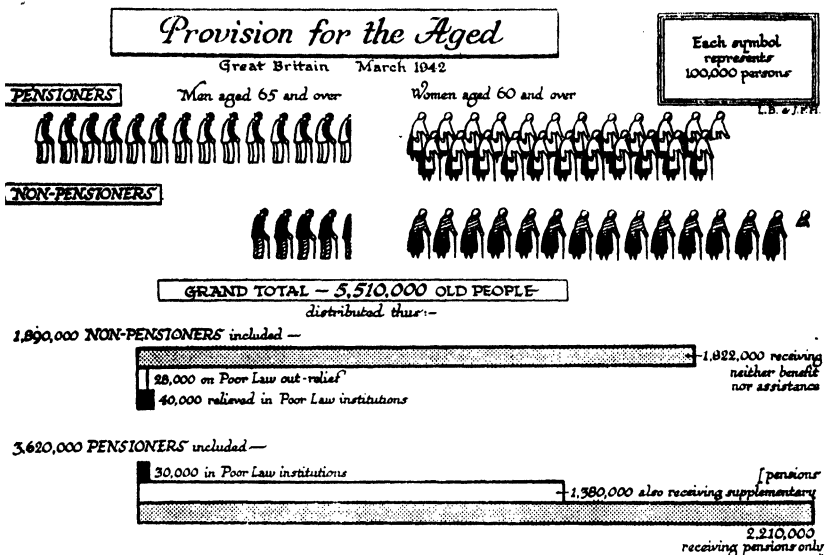
" The scheme as originally introduced contemplated administration by the old friendly societies and trade unions, with self-government by the members, and that all these old friendly societies and clubs would rope in the whole working population instead of the one-third or so which had learned the principles of voluntary insurance. The whole scheme as so visualised went adrift when it was realised during the passage of the Bill through Parliament that if the machine was to function at all the industrial assurance offices with their vast machinery would have to come into the scheme. In order to preserve the theory of government by the members these great industrial offices had to set up separate sections with rules providing for self-government and a general conformity to the requirements of the Insurance Act. Imagine, if you can, the Prudential, with a few million members, being under the control of those members. I remember when the approval of the rules of these societies was under consideration in 1912 that we were greatly exercised in our minds as to how the appearance of control could be secured, even though admittedly it would remain as remote as the moon. However, Parliament in its wisdom had said that it was to be a condition of approval that every society's affairs were to be under the control of its members and something must presumably be put in the rule books about it. . . . I wonder why as a nation we are so addicted to make-believe ? "

### *SOCIAL INSURANCE BETWEEN THE WARS*

After the last war the social insurance services continued to expand, but against a background of persistent unemployment on a scale hitherto unknown. Unemployment insurance was extended to cover 11,000,000 workers in 1920, and gradually enlarged to include over 15,000,000 by 1938 ; and dependants' allowances were paid from 1921. But vast numbers exhausted their benefit rights without finding jobs. For six years, from October 1931, less than half the unemployed qualified for benefit ; at one time only one-third were on benefit. Public opinion would not allow the off-insurance unemployed to be treated any longer as " able-bodied paupers." So successive governments, who could find nothing better to do than passively to wait for prosperity to turn up again, fell back on the expedient of allowing the insured unemployed (and many who would have been insured if they had ever had work) to go on drawing benefit after their insurance rights were exhausted.

By these methods the great majority of the unemployed were enabled to get along somehow or other without applying for poor relief until the " crisis " of October 1931. The National Government then cut all benefit rates, and handed over administration of State-financed relief for the off-insurance unemployed to the Poor Law authorities, who proceeded to

apply a means test. A great wave of disqualifications and disallowances followed. In the summer of 1932 there were 1,345,000 unemployed on benefit; 1,018,000 others had submitted to a Poor Law means test and qualified for State relief; 140,000 others were receiving poor relief; and



In March 1942 three-quarters of all men aged 65 and over and three-fifths of all women aged 60 and over were receiving old age pensions. The remainder—one-third of all people of pensionable age—had no ordinary old age pensions, but a large proportion of them, such as civil servants and teachers, had special occupational retirement pensions. More than one-third of the old age pensioners also received help from the Assistance Board. Of those not receiving supplementary assistance, about a million—nearly one-half—were said to be still working, thanks to the wartime demand for labour. Among the non-pensioners only one in thirty was receiving any form of assistance from the Poor Law. (Source: Beveridge Report).

in addition there were 485,000 other unemployed—including a great many genuine cases who refused to go to the Poor Law—who were getting nothing at all. Able-bodied persons on poor relief increased from 43,000 in the Autumn of 1931 to 222,000 (with 440,000 dependants) at the end of 1934. After a period of great bitterness and confusion, a special State agency, the Unemployment Assistance Board, began to administer all State relief for the unemployed in January 1935. Its first years were attended by turbulence and resentment, but, after a number of improvements in its methods and allowance scales, the Board finally took over from the Poor Law both the insured workers no longer entitled to benefit and all other able-bodied unemployed who might have been insured for pensions if they had ever had work.

Meanwhile other reforms went more smoothly. In 1920 blind persons were allowed State old age pensions from the age of 50. The age limit was reduced to 40 in 1938, when blind pensioners' dependants were also largely removed from the Poor Law by the development of special, but not yet very satisfactory, blind welfare schemes. In 1925 Neville Chamberlain and Winston Churchill established the third great compulsory insurance scheme—interlocked with health insurance—to provide contributory pensions for people aged 65–70 and for widows and orphans. Since 1928 any person drawing a contributory pension at 65–70 qualifies automatically and without a means test for a State pension at 70. In 1929 pensions were extended to a large class of widows whose husbands had died before the Act of 1925. In 1937 it was made possible for uninsured persons below a certain income level to contribute voluntarily to the pensions scheme.

On the other hand, National Health Insurance, extended to cover 19,700,000 workers by 1938, was hardly changed at all. Neither specialist medical services—originally planned in 1914—nor medical care or cash allowances for dependants are yet provided. Nor was any important reform either of industrial assurance or of workmen's compensation effected between the wars, except that in 1923 children's allowances were added to the lump sum compensation paid to widows of men killed in industrial accidents.

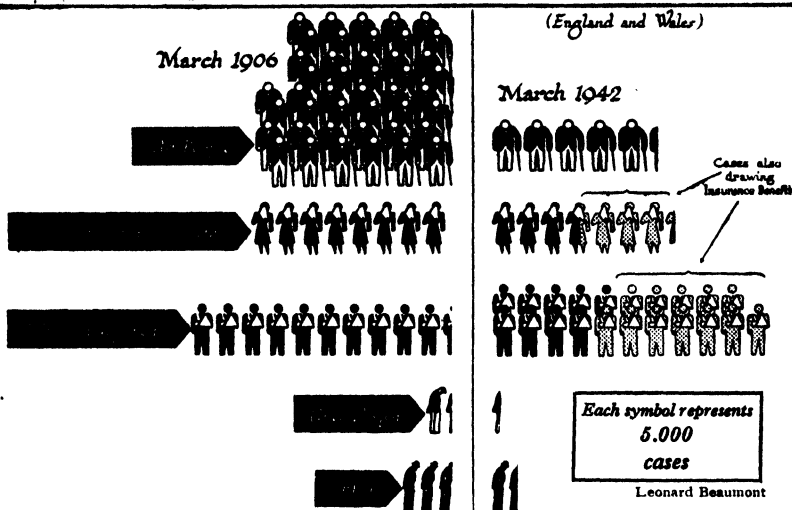
### *A NEW JOB FOR THE U.A.B.*

During the present war the income limits for non-manual workers in all the schemes have been raised to £420, weekly wives' and children's allowances have been added to workmen's compensation, and most benefit rates (except pensions) have been raised, although they have hardly kept pace with the cost of living. Over 300,000 women were brought onto pensions in 1940, when the pension age was reduced to 60 for insured women and the wives of insured pensioners. The basic pension remains 10s., but pensioners who can prove they need more can claim supplementary pensions, which may double their income if they have nothing but their pensions to live on. Supplementary pensions were introduced for old people and widows over 60 in August 1940 and for younger widows with children in September 1943. This has been the biggest change of all, and, significantly, the task of assessing the means and determining the needs of pensioners was taken away from the Poor Law and entrusted to the Unemployment Assistance Board, which dropped "Unemployment" from its title to emphasise its new function. (The Board also runs a variety of wartime State relief services). The Board, created to relieve the able-bodied unemployed, is now overwhelmingly concerned with widows and old people. Since 1941 the old household means test has given way to a

much more generous personal means test, and various improvements in the allowance scales have been made.

Under the supplementary pensions scheme the Board took over about 275,000 pensioners from the Poor Law, but within a few weeks no less

### *The Shrinking Poor Law. Out-Relief in 1906 and 1942*



The "pattern" of Poor Law relief has been altered and its "load" has been reduced by the growth of social insurance schemes and by the creation of the Assistance Board. The latter now replaces the Poor Law in giving cash assistance to the insurable unemployed and to pensioners, including widows with children. Though the number of old people in the community has doubled since 1906, the number on poor relief has fallen by almost 90%. At least half the widows under 60 on relief in 1942 also had insurance pensions; those with children as well as pensions were transferred to the Assistance Board in 1943. The Poor Law today is reserved chiefly for the sick and the injured, of whom more than half are also receiving insurance benefits. Their numbers are greater than in 1906 mainly because the Poor Law itself is more generous than it used to be. In 1939 there were more than twice as many people on relief as in 1942. The figures for 1942 were "abnormally low" because it was a year of (wartime) full employment. (Source: Beveridge Report).

than 1,000,000 other pensioners who applied were found to be in genuine need and were granted supplementation. This (to the Government) unexpected disclosure of hitherto unrelieved mass hardship indicates the strong surviving dislike of the Poor Law. As the chairman of the Board said: "Many old people prefer to pinch and starve rather than take advantage of a method of assistance which, though in itself beneficent and humane, still carries with it the pungent aroma and bitter memory of a harsh and unsympathetic past." The Board spent £57,000,000 in 1944 on more than 1,600,000 old people and widows. It is plainly developing

into a new "omnibus" relief service, nationally controlled and financed, while the Poor Law is equally obviously losing ground and is well on the way to ultimate extinction.

### THE END OF THE POOR LAW?

Taken as a whole, the "new" insurance and assistance services are today responsible for the vast majority of recipients of social security payments. Early in 1942 5,000,000 people (including 3,620,000 old age pensioners and widows over 60) were drawing benefits from these services (including workmen's compensation), while on outdoor relief there were 230,000 people with 232,000 dependants. But two-fifths of these Poor Law cases were also receiving benefits from the "new" services. Nevertheless 462,000 people on outdoor relief—including 265,000 adults and 64,000 children who had no other means of support—are a large "residue" left to the Poor Law, although less than the peacetime figure and little more than half the corresponding total in 1906. Forty years ago the majority of these people would have been refused relief, though it would be wrong to suppose that most of them are spongers and wastrels. They are assisted today chiefly because the Poor Law, especially since it has lost its responsibility for the able-bodied unemployed, is much more liberal than it used to be. The old deterrent attitude has greatly mellowed, relief scales, particularly since the creation of the U.A.B., are much higher than in 1906, and the quality of relief work has improved—people in distress are helped more constructively, and scroungers and ne'er-do-wells are more carefully identified and dealt with. These changes for the better were greatly assisted by the supersession of the *ad hoc* Boards of Guardians by Public Assistance Committees of the major local authorities in 1930, and a further step was taken in November, 1943, when Poor Law authorities were required to apply in outrelief the same methods of assessing the available financial resources of households as are used by the Assistance Board.

In 1929 local councils were also given extended powers to take social services for the blind, mothers, children, public health and other services right out of Poor Law administration; and in 1943 the financial assistance of certain classes of tuberculous workers was also partly removed from the Poor Law by a special Ministry of Health scheme. Since 1911 progressive local authorities have used their powers under such legislation to transfer (amongst other things) half the nation's Poor Law hospital accommodation to their health departments. Among the municipal hospitals today are some of the finest in the country. It is the growing humanity of the Poor Law which chiefly accounts for the remarkable fact that the number of sick and injured on outrelief has been more than doubled since 1906 and now constitutes three-fifths of all outrelief cases; whereas the number of old people receiving outrelief has fallen by almost 90 per cent in the same period. More than half the sick and injured on the Poor Law are insured workers who cannot make ends meet on their ludicrously inadequate insurance

benefits. The other important groups still left to the Poor Law are mostly people who are not insured because they work on their own account, and particularly their widows and old folk.

## THE PURPOSE: INCOME-MAINTENANCE

### *NEW SERVICES—BUT AN OLD IDEA*

These are very great changes to have occurred in less than a lifetime. Yet the basic principle of the "new" services—public organisation of thrift so as to save people from having to ask for public or private charity—is not new at all. Demands that the State should organise a *voluntary* system of insurance for sickness, pensions and burial money are very ancient. From 1773 to 1818 Parliament discussed many such plans, but rejected them all, including William Pitt's scheme in 1796 to start parish-administered voluntary contributory pension schemes for widows, orphans, old people and the incapacitated, and the proposal in 1807 for a national "Poor's Assurance Office." The same idea inspired Gladstone's Post Office annuities (1864–1926) which were explicitly intended to give better value for money than the industrial assurance business, the abuses of which Gladstone was denouncing 80 years ago. The first modern advocate of *compulsory* State insurance appears to have been Daniel Defoe. In his *Essay on Projects* (1697) he suggested a "Pensions Office" which would compel "labouring people" to insure for medical and surgical treatment and for pensions or institutional care during old age, disablement or permanent ill-health ("the pox excepted"), so that "no creature so miserable or so poor but should claim subsistence as their due, and not ask it for charity." He was followed by John Acland, Rector of Broad Clyst in Devonshire, who in 1786 proposed a "national Club" for pensions, sick pay and apothecary's medicines and attendance. Membership was to be compulsory for some classes—including all men and women aged 21–30 who were neither disabled nor burdened with children—and optional for the rest of the population. A Bill was actually based upon his proposals but failed to get through Parliament.\*

In more recent times the idea of a single National Friendly Society for sick pay, pensions and burial money was strongly urged upon the Royal Commission on Friendly Societies of 1871–74 in a memorial signed by the two Archbishops, four bishops, thirty-three Members of Parliament and many lords and other notabilities. The Commission itself excluded sick pay, but recommended emphatically that "the existing system of

\*Then as today there were many critics who saw nothing but national ruin in the idea of compulsory thrift. John Howlett, Vicar of Dunmow, argued against Acland that "this promised future income, instead of sharpening the spur of industry, will only blunt it," and would lead to extravagance and the destruction of personal independence.

Government insurance through the Post Office for death and deferred annuities be extended so as to cover the whole ground now occupied by what is termed 'industrial assurance.' Failure of the Government to take action led to the launching of the modern campaign for old age pensions and social insurance, which persisted without success for over thirty years until the reforms of 1908 and 1911. The agitation was started in 1878 by Canon William Blackley who demanded compulsory "National Insurance." He wanted a "National Sick and Pension Benefit Society" which would conduct its business through the Post Office, and he spoke also of "a National Club" for burial money. His advocacy stimulated the formation of the National Providence League (whose leaders included Shaftesbury, Joseph Chamberlain and Charles Booth) which preached the need for pensions at 65 and a sharing of insurance contributions equally between the individual and the State. Between 1885 and 1903 there followed no less than six official inquiries which solemnly debated the question of aiding the "aged and deserving poor" without getting much further forward, until Britain finally found itself with a government prepared to take action in the matter in 1908.

Meanwhile, in Germany, Bismarck, more through fear of socialism than out of humanitarianism, had introduced compulsory schemes for industrial injury insurance in 1884, for sickness and burial insurance in 1883-85, and for old age and invalidity pensions in 1889; while Denmark (1891), New Zealand (1898), New South Wales and Victoria (1901) and France (1905) adopted schemes for non-contributory old age pensions. But these foreign social advances—and especially Bismarck's demonstration of the workability of three-party compulsory social insurance—were almost completely ignored in Britain until after the Boer War. On the other hand, British unemployment and assistance services are probably the best in the world, and in the great majority of countries social insurance schemes are even newer than they are with us. Taking good and bad features together, it is fair to say that Britain, together with New Zealand, the Soviet Union and Germany (where the Nazis inherited social insurance from earlier regimes), lead the world in matters of social insurance, in spite of their divergent social systems and political ideals.

### *A SINGLE CLUB FOR THE NATION*

Social insurance is society's newest method of handling a very old problem—the problem of *income-maintenance*, of providing income from public funds for families whose normal income is interrupted or likely to be interrupted by the common misfortunes of life. Other methods have been tried in the past. In pre-industrial peasant days, when most families and villages produced most of their own food, clothing and other necessities, the individual who became unable to work could usually fall back upon

his family for support, just as the family in distress could rely on the assistance of its village neighbours. Village solidarity in the relief of distress was the germ from which both charity and the Poor Law developed, as well as national assistance schemes financed by taxation.

In an urban and industrial society, in which all the nation's workers depend on each other's goods and services, families and local communities are no longer economically self-sufficient. Most married women and nearly all children depend upon bread-winners who live by selling their services to other people, and whose employment and earnings may be interrupted at any moment by circumstances beyond their control. The natural misfortunes which overtake every family in the course of its life—and the added misfortune of modern unemployment—have thus become problems of *social security*. Men have therefore resorted more and more to clubbing together with their fellow workers in friendly societies for mutual insurance. As industry and finance increasingly knit the whole nation together into one great community, the biggest of these voluntary societies have become nation-wide and the idea has naturally followed that the whole community might be treated as one single National Benefit Society for social security. Our social insurance schemes are an expression of this idea. They are, in effect, a great national club for workers' mutual insurance.

All income-maintenance services, whether based on the insurance or the assistance method, are public devices whereby the the nation sets aside a share of its total supply of goods and services for the benefit of those who are unable or no longer expected to work. They transfer a share of the national income from those in work to those unable to work, from the young to the old, from the childless to those with children, and from the well-to-do to the poor. They do not prevent misfortune or remove its causes when it has occurred ; they relieve the distress which misfortune brings with it.

### THE ASSISTANCE METHOD

The assistance method embodies the principle "from each according to his capacity, to each according to his needs." Assistance funds are raised from rates and taxes, which people pay in their house rents, in the prices of consumers' goods, or direct to the tax collector. But the fact that a man has paid rates and taxes in the past gives him no right to claim assistance. He has to prove his need ; and the assistance service cannot do its work properly unless it knows the full facts of each case, which inevitably involves applying tests of available means, if any, and of needs. The advantage of this method is that it *can* be used to help each individual family in the way best calculated to meet its needs fully and to remove the causes of its misfortune, if remediable. But until recently public assistance

was not usually administered in this spirit at all, so that ordinary people still harbour a deeply smouldering resentment against any form of needs or means test that can be avoided.

But the assistance method, however humanely applied, involves a great deal of work on each individual case. It is therefore best reserved for the minority of really difficult cases—people with unusual needs or in exceptional distress. To make it the main method of income-maintenance inevitably means that assistance, which should be a type of skilled social work, degenerates into a mere routine of mass means-testing and relief according to regulations. Social insurance dispenses with all this bother. The fact that a man has made certain payments—insurance contributions—in the past does give him the right to benefits in defined circumstances without any inquiry into his means or needs. By analogy with private insurance, the insured worker is supposed to make a contract to receive payments during genuine unemployment, illness or old age, in return for which he has to pay his weekly premiums regularly.

### THE INSURANCE METHOD

This system saves endless trouble. The worker can count on a certain income of his own *as a right* without having to unfold all his private troubles to a public official; and the community has a very handy, semi-automatic device for earmarking a portion of the national income for income-maintenance, and for deciding who are the individuals who are qualified to benefit and how much each shall receive, without elaborate personal inquiries. Insurance is more expensive and less “scientific” than assistance. All people get the same rate of benefit. If it is sufficient for the basic needs of people without other resources, it will be more than sufficient for people who are not completely destitute, but it will still not be enough for those with abnormal needs. Insurance necessarily handles people in broad categories, on rough and ready routine lines according to standardized rules. This is the price of avoiding means and needs tests in the great majority of cases, and insurance is so convenient that the price is well worth paying.

The distinction between insurance and assistance should not be pushed too far; it is not as simple as it sounds. The real distinction is between a *routine service* and a *needs service*, and the difference does not necessarily depend on whether funds are raised by contributions or by rates and taxes. The great majority of pensioners today have made little more than a token insurance contribution towards the cost of their pensions. Many of them were on the point of retiring when they first became insured. The greater part of the cost of pensions is actually paid by taxation, and probably always will be. Even the worker continuously insured from school-leaving to retirement age only pays a portion of the cost of his insurance benefits; employers pay as much as workers, and the State pays more than either

workers or employers. The important thing is less how funds are collected than how they are distributed—on a routine basis or a needs basis. But social insurance is so useful, although the analogy with private insurance is a fiction, not because it makes the worker “pay” all or most of the cost of his benefits, but because it is a simple device for enabling a man to qualify for a routine benefit *as of right* instead of having to submit to means and needs tests. The alternative to social insurance is an army of officials and an avalanche of forms and records.

### WHO FOOTS THE BILL?

So the worker only pays for a fraction of the benefits he receives? On the contrary. He pays most of the cost, but more through other channels than through the channel of insurance contributions. He pays a large part of the State's share of the cost of insurance and assistance in the form of taxes on consumers' goods, and, in wartime at least, on his income, or in the form of rates added to his rent. According to many experts the worker probably also pays most of the employer's contributions when the employer is producing goods for sale in the home market. In such cases, it is held, the employer in the long run recovers the cost of his contributions in the prices he charges consumers for his goods, and his consumers are mostly workers. At any rate, the best pre-war estimates agree that people living on £5 a week or less themselves found about nine-tenths of the total cost of all the social services provided chiefly for their benefit (see, e.g., Professor J. R. Hicks' *Social Framework*, 1942). This can hardly be called a big transfer of income from rich to poor; essentially it is a redistribution of income among the workers themselves. For this reason it is difficult to believe that compulsory thrift has fostered the growth of a “spoonfed” outlook among the workers since 1911, or that they have come to “lean on the State for everything.” Every community has its feckless and irresponsible citizens who choose State-endowed idleness in preference to working for a living if they get the chance, and unquestionably there were workers before the war who had acquired the “9d. for 4d.” mentality. But even among this limited class there were many who had lost their sense of responsibility not because of the luxuries of social insurance but because the community ruined their somewhat precarious self-respect, not to mention their health, by letting them hang around for years on end leading lives of idle futility on inadequate doles. Nothing kills a man's self-reliance so surely as the feeling that his fellow men have no use for him. Far from discouraging voluntary thrift, it is arguable that compulsory thrift has stimulated private self-help. It is certainly true that working-class savings since the Boer War have expanded more rapidly than the total wealth of the community as a whole.

The Ministry of Labour's family budgets (1937-38) show in fact that, for every penny the worker is compelled to contribute to State insurance

schemes, he spends another twopence of his own free will on further contributions to sickness and superannuation funds, burial clubs and similar voluntary insurances. Other pre-war studies show that the worker regards these voluntary payments as a necessity, not a luxury. If he has to cut down his spending, he usually economises on nearly everything else, including even food and clothing, before he gives up his burial insurance. These are indications of the continuing strength of voluntary thrift, but also they point to the remaining gaps and shortcomings of the income-maintenance services. Too many of the things for which the worker feels obliged to set money aside can be provided more certainly and more economically by the method of compulsory thrift.

## EIGHT MAJOR FLAWS

What are the most important deficiencies which remain to be remedied? Eight major flaws may be briefly noted.

### (1) TOO MANY PEOPLE EXCLUDED FROM INSURANCE.

All citizens need some, at least, of the benefits of social insurance. But people who work on their own account are entirely left out, as are non-manual workers earning more than £8 a week. All children and nearly all housewives are excluded from sickness insurance.

### (2) TOO MANY BASIC NEEDS NOT COVERED BY INSURANCE.

The special expenses arising at death are not provided for, and the special expenses at child-birth are recognised only to the extent of a maternity grant of £2 for each insured parent. The working mother's need of a continuing maternity benefit to enable her to give up work in good time before her confinement is not recognised. No provision is made, except when the bread-winner is unemployed, for the expenses of rearing children which every parent has to incur. The community itself, by forbidding child labour and making education compulsory, has turned parenthood almost into a financial misfortune. Children today are the biggest single remaining cause of absolute poverty. A man's wages are paid for his work, and are the same whether he is a bachelor or a father of ten. But a man's unemployment benefit or his assistance allowance vary according to the size of his family. This creates the "overlap" problem. If unemployment insurance were generous, it was feared before the war that too many workers with large families would be paid more when not working than they could earn in their usual jobs. So the Ministry of Labour felt obliged not to be generous. Unemployment insurance gave only 2s. for a child from 1924 to 1935, and then only 3s. until 1940; while unemployment assistance used the "wages stop" to preserve some degree of "less eligibility" in its relief work. If the community were to pay children's allowances as a normal addition to the family income in *all* circum-

stances, the income-maintenance services could afford to be more generous to families in distress, because the "overlap" would not then occur.

### (3) BENEFITS TOO LOW.

Social insurance benefits were not originally intended to be more than "tide-over" payments to help a man through a period of misfortune with the aid of his own savings. They gave many people a new hope of being able to get along without having to ask for poor relief, and thus gave an incentive for saving among those who could afford to save. But an insurance system which makes no effort to find out people's real needs has no right to assume that people have savings on which they can draw. Rates of benefit should provide what is considered the minimum income necessary for most normal people, assuming they have no other means of support whatever.

### (4) BENEFITS TOO SHORT IN DURATION.

To cut a man's sick pay from 18s. to 10s. 6d. after 6 months does not make sense. If he is ill for so long he has probably run through all his savings and lost his job, and may be in debt. His financial needs are not less, and may be greater, than during a short spell of sickness. It can be argued that he should get at least the same rate of benefit as long as he is unable to work. Does it make sense to stop unemployment benefit after 30 weeks and leave a man to apply for assistance if he can prove his need? Sometimes, especially if the family is large, this may mean more, not less, unemployment pay, because there is a test of needs as well as a test of means. But this could be achieved by granting assistance to supplement benefit in case of need, and continuing to pay benefit as long as a man is unemployed. When people are jobless for months at a stretch, it is usually society's fault rather than theirs. If so, a means test after a certain number of weeks solves nothing and is resented as punishment of the blameless. On the other hand, if there is full employment and proper services for training and transferring workers to new jobs, it can be argued that few people will be unemployed for as long as 30 weeks, so that it does not much matter whether benefit is limited or not limited in duration; but *if it is unlimited there will have to be some compulsion on men to accept training and transfer if there are jobs in other trades or areas which they might be doing*. If prolonged unemployment is due to the worker's personal defects, a means test after 30 weeks can certainly safeguard the funds, but it does nothing to remove the defects. A means test may deter the unscrupulous from claiming public money after 30 weeks, but they should not be allowed to draw benefit even for a single week, because they are not genuinely unemployed. If men are prevented from taking work by bad physical or mental health, lack of education, or defective mentality, they are not genuinely unemployed either, because they are not really "capable of and available for work" in the normal sense. They are candidates for the medical, rehabilitation and training services, or for special protected work

schemes, and they should not be left hanging around on unemployment assistance nor even to draw 30 weeks' benefit before something is done about them.

(5) TOO MUCH LEFT TO ASSISTANCE.

This follows from the first four criticisms. Poor Law outrelief is now chiefly used to help people who could be provided for by insurance—uninsured widows and old folk, and people drawing sick pay but needing more. The Assistance Board has to deal with over 1,600,000 pensioners. This is not fair to the assistance services. They are prevented from doing their real job properly—helping the exceptional cases—because they are swamped with a mass of applicants whose needs are not at all exceptional and who would not want to apply for assistance if a few shillings were added to their benefit rates. If assistance is to be humane and constructive for the abnormal cases, insurance must be adequate and complete for normal cases.

(6) TOO MUCH COMMERCIALISM AND WASTE.

Workmen's compensation is not a social service but an apology for one. The man injured while at work can never be sure of a fixed income during his disablement. Employers usually insure their liability for compensation with insurance companies or mutual associations, whose interest in industrial injuries begins and ends with the payment of money to the victims, and, only too frequently, with avoiding the payment of money. When large sums are involved insurance agencies not uncommonly strike very hard bargains with injured men or their widows; they may refuse any money at all unless men are able to insist on their rights by taking legal action. In this and other ways the system is so much of a gamble that it discourages recovery, creates avoidable ill-health, and causes a great deal of needless anxiety and hardship.

As a result of Lloyd George's enforced bargain with the insurance companies in 1911, no less than 8,470,000 workers in 1938 belonged to approved "societies" managed by industrial assurance offices. Just under half of the entire insured population are being served by organisations not created by them and not interested in their welfare during sickness, but only in selling them other kinds of insurance—especially small burial policies—on which agents can earn a commission or shareholders a profit. Before 1911 the industrial life offices collected from the workers about £20,000,000 a year in premiums on 35,000,000 policies; by 1939 they were collecting over £74,000,000 on 103,000,000 policies. They could not have achieved the greater part of this stupendous expansion without the opportunity of entering millions of homes afforded by the N.H.I. scheme. The competition of the big companies has driven the genuine friendly societies increasingly to centralisation. This has made them more businesslike, but it has also led to a progressive decay of the neighbourly and fraternal spirit which was once their strength, in the days when workmates clubbed together and chose one of themselves to collect their contributions, pay their benefits and visit

them in their homes. In many of the large centralised friendly societies today self-government by the members is almost as much a fiction as it is in the industrial assurance approved "societies."\*

Approved societies are free to pick and choose their members, and many of them refuse to admit people with bad health records who may be a drain on their funds; some exclude whole classes of people, such as married women. If a society's members are "good risks," with less than the average amount of ill-health, their compulsory contributions will more than suffice to meet their claims for sickness benefit. Large amounts of *State* funds will be left over at the end of each year. A society with a surplus uses it to add to the official benefit rates, or to provide additional benefits—e.g. to pay for dental treatment, spectacles, surgical appliances or convalescence. Healthy people like clerks are thus often able to get a larger share of the *State's* insurance funds than less healthy people like miners. All pay the same *State* contributions, but *State* benefits vary from one society to another, and those with the greatest needs tend to get least; people whom no society will accept as members get least of all. If people could easily find out which societies offer the best additional benefits they would flock to join them; but obstacles are deliberately placed in their way. The societies canvass, but they do not advertise their benefits very much; the Ministry of Health deliberately publishes no information about them; doctors, teachers, social workers and citizens' advice bureaux are not supposed to give inquirers any guidance in choosing a society—to do so would mean favouring some societies to the detriment of others. Most people join societies when they are juveniles; transfer from one society to another is very difficult; there are 800 societies divided into no less than 6,600 separate "financial units," each with its own range of benefits. All this deprives the worker of any genuine "freedom of choice," since he has to choose his society without proper information. And the existence of so many societies with members scattered at random all over the country is unnecessarily wasteful.

(7) TOO COMPLICATED AND CONFUSING.

The social security services are not a system, but a number of separate schemes created at different times for different purposes, using different methods and standards and covering different groups of people. Seven Government Departments, a couple of hundred local authorities, and hundreds of approved societies and insurance companies all have a hand in the business. No wonder the "consumer" finds it all bewildering, and often needs the help of a trade union or a citizens' advice bureau to get his rights or appreciate his responsibilities. Breaking up the Poor Law was an excellent idea, but it is not so easy to fit people into a few simple categories for routine treatment. The man who falls ill while unemployed passes eventually from unemployment pay to sickness benefit; he is then so hard up that he has to ask for poor relief, and so anxious to get back onto unemployment pay that he registers at the labour exchange before he is really fit for work. An

\* See Professor Hermann Levy's *National Health Insurance*, 1944.

expectant mother who leaves her job may be refused sick pay because she is not ill and unemployment benefit because she is not available for work. An uninsured man of 65 who has no savings and cannot work has to depend on poor relief. At 70 he leaves the Poor Law to live on a State pension, granted after he has passed a different means test applied by the Customs and Excise Department, and supplemented by the Assistance Board which applies a third means test. When he falls ill the Poor Law steps in to give him "medical relief," and if he ends his days bedridden in an institution he forfeits his pension and returns entirely to the Poor Law.

(8) QUALITY OF SERVICE NOT GOOD ENOUGH.

Many officials in all the services go out of their way to be helpful and friendly, but generally speaking the social security services are weak in public relations and personal contacts. Some departments make little effort to distribute simple information about their schemes. Most of the Ministry of Health leaflets on health insurance are about as readable as pre-war income-tax forms, and very few people have ever seen them. Yet the same Ministry, aided by the Post Office, handles the pensions scheme quite well. But apart from giving them cash, the Ministry shows very little interest in the welfare and social care of old people, and the Assistance Board is only just developing its work in this direction. The Ministry of Health's annual reports give the impression, too, that it is interested less in the welfare of insured workers who fall ill than in urging approved societies to get them off sick pay as soon as possible. Malingering must certainly be prevented, but many societies conduct their sick-visiting as though it were nothing but an occasion for spying rather than an opportunity for useful welfare work. "Customers" of the unemployment and relief services before the war were commonly kept waiting for hours, sometimes standing in queues, and often had to traipse long distances from one office to another. Most employment exchanges, Assistance Board and public assistance offices are housed in uncomfortable premises in which seating accommodation and opportunities for privacy are usually inadequate, and such comforts as lavatories for the use of applicants are an almost unheard-of luxury. Nor could the staffs give of their best when they were badly accommodated and underpaid.

## PART II. BEVERIDGE BLUEPRINT AND COALITION PLAN

### MAKING PLANS

Such is the present state of the income security services. How are they to be reconstructed so as to form an efficiently working system covering the basic needs of all citizens? One answer has been given by the Beveridge Report, a document of 300 closely reasoned and closely printed pages published in December 1942. A second but not fundamentally different answer has been given by the Government, first in Sir John Anderson's statement of their preliminary conclusions about the Beveridge Report during the Parliamentary debates of February 1943; secondly in two White Papers issued in September 1944, which outlined—but did not fully explain—what the Government proposed to do.

The production of these plans is an event unique in British history and with few parallels elsewhere in the world. It all began in June, 1941, when Britain still stood alone against the Axis. The Government appointed an Inter-Departmental Committee of civil servants, with Sir William Beveridge (not a civil servant) as chairman, "to undertake, with special reference to the inter-relation of the schemes, a survey of the existing national schemes of social insurance and allied services, including workmen's compensation, and to make recommendations."

Beveridge felt "a little sad" when asked to undertake the inquiry. "I wanted to do something directly helping the war. . . . Gradually, as I got deeper into social insurance, I came to realise the intense interest of the citizens of this country in the problem of security after the war. I had a lesson in democracy, and of what is needed to make a democracy wholehearted in war. Democracies make war for peace, not war for its own sake. They fight better if they know what they are fighting for after the war." (*Pillars of Security*, 1943). He therefore decided to make the report a fundamental document of reconstruction. Official approval was given by the Government's announcement in January, 1942, that "it will be within the power of the Committee to consider developments of the National Insurance Schemes, in the way of adding death benefits with any other risks which are at present not covered by such schemes." At the same time the Committee's members were asked to act thenceforth as expert advisers to their chairman, because, being civil servants, they could not be expected to pass judgment on issues of high policy "so important as to call for decision by the

Government as a whole." When the report was issued it had become, at the Government's request, Beveridge's personal report, written and signed by him alone.

### "THE BRITISH PEOPLE BECOME ARTICULATE."

The report insisted that "income security, which is all that can be given by social insurance, is so inadequate a provision for human happiness that to put it forward as a sole or principal measure of reconstruction hardly seems worth doing." The Beveridge plan was "an attack upon Want. But Want is one only of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness." The plan was offered therefore as a "limited contribution to a wider social policy, though as something that can be achieved now without waiting for the whole of that policy." Secondly, "since social security is first and foremost an interest of the individual citizen, of the consumer of social insurance," Beveridge not only considered the consumer's needs but also made a determined effort to find out how the consumer preferred those needs to be met. His report, as he truly says, "represents to a very large extent the greatest measure of common agreement in the views of those who have thought most seriously upon its problems. . . . I tried to make a Beveridge Report which would really be the British people become articulate about what they want in the way of social security." (*Pillars of Security*).

From his "consumer research" he drew two chief conclusions:—

- (1) "Benefit in return for contributions, rather than free allowances from the State, is what the people of Britain desire. This desire is shown both by the established popularity of compulsory insurance, and by the phenomenal growth of voluntary insurance against sickness, against death and for endowment, and most recently for hospital treatment. It is shown in another way by the strength of popular objection to any kind of means test. This objection springs not so much from a desire to get everything for nothing, as from resentment at a provision which appears to penalise what people have come to regard as the duty and pleasure of thrift, of putting pennies away for a rainy day. Management of one's income is an essential element of a citizen's freedom. Payment of a substantial part of the cost of benefit as a contribution irrespective of the means of the contributor is the firm basis of a claim to benefit irrespective of means."
- (2) "There has been an unmistakeable movement of public opinion . . . away from the principle of adjusting premiums to risks in compulsory insurance and in favour of pooling risks. . . . After trial of a different principle, it has been found to accord best with the sentiments of the British people that . . . each individual should stand in on the same terms; none should claim to pay less because he is healthier or has more regular employment. . . . The term 'social

insurance' . . . implies both that it is compulsory and that men stand together with their fellows. The term implies a pooling of risks except so far as separation of risks serves a social purpose."

Accordingly Beveridge proposed to provide an all-in insurance service embracing the essential minimum needs of the whole population, supplemented by a national assistance service for those with exceptional needs, the two services to be administered by a single Ministry of Social Security. His plan was advanced on three assumptions: that the Government would (A) introduce a general system of children's allowances, (B) establish a comprehensive system of medical and rehabilitation services for the whole population, and (C) accept the duty of economic planning to prevent mass unemployment in the future.

### THE PLAN'S RECEPTION

From dawn on December 2nd, 1942, the B.B.C. broadcast details of the plan in 22 languages to the peoples of the world. "Australian opinion," reported the *Times*, "warmly commends the Beveridge Report as a bold and constructive recognition of values too much discounted in the past and as setting important standards to be reached by the post-war world as a whole." In Canada it had "a very favourable reception," even from leading conservative papers. Similarly in the U.S.A., in Scandinavia, throughout the free world. Nor did the Nazis dare risk ignoring it—the B.B.C. had worked too well. All the big German papers discussed the plan. They said Bismarck had done all this 60 years ago, and the plan was a "dishonest swindle" by the British plutocrats to keep up the people's war spirit. "Britain is half a century behind in social welfare," declared the *Völkische Beobachter*; and the papers suddenly discovered that the drunkard Ley, boss of the Nazi Labour Front, was intending to "guarantee generous and extensive old age pensions for the whole German people," which would be "without an equal in the world."

Typical of most British newspapers was the *Times*, which hailed the report as "a momentous document which should and must exercise a profound and immediate influence on the direction of social change in Britain." The proposed minimum standards were "moderate enough to disarm any charge of indulgence." The total sums required were large, "but their magnitude is not of such an order as to intimidate any Chancellor of the Exchequer who has faith in the future of Britain." The cost was "not large in relation to the national income which the community may reasonably be expected to produce if it so directs its policy, at home and abroad, as to secure full use of its industrial man-power."

Some journals, however, were less enthusiastic. The *Daily Telegraph*, for instance, argued that, although Beveridge was conscious of "the importance of ensuring that incentive to effort is not destroyed by an excess of security," yet he had not seen how to escape this danger. "The society he would build is very much a 'safety-first' society. If the

Beveridge plan had been in existence 100 or 150 years ago, it is certain that the British race would not have spread itself so adventurously and beneficently over the far corners of the globe. What we see emerging from the pages of the report is the pattern of a society constructed, as Hazlitt said, 'into a machine that carries us safely and insipidly from one end of life to the other in a very comfortable prose style.' Let us pursue security by all means, but let us also beware of its excesses."

*The Liberal Party* welcomed the plan as "the logical complement" of "the social security legislation introduced by the Liberal Party," and gave "immediate and unqualified approval" to its three chief features—unified administration, children's allowances, and a national subsistence minimum. *The National Council of Labour*, representing the Labour Party, the trade unions and the Co-operative movement, approved the plan's principles, reserved some of the proposals—especially those relating to pensions and workmen's compensation—for further scrutiny, and called for early legislation. Among *businessmen* opinion was divided but on the whole unenthusiastic. Sir Malcolm Stewart, a big industrialist, appealed to "all industrialists interested in social welfare to indicate their cordial support of the main principles advocated." The Beveridge report provided "an opportunity for industrialists to give a strong lead in support of these much-needed reforms which will seize the imagination of their employees" (*Times*, 4.12.1942). With some notable exceptions, the response was lukewarm. The British Employers' Confederation, representing the employers of about 70 per cent of the entire industrial population, privately presented its views to the Government in February 1943 in a memorandum designed to show that the Beveridge plan was both unnecessary, economically unwise, and economically impossible.

*The Conservative Party* made no official statement, but representative Conservatives did express opinions. Shortly before the report appeared, the Marquess of Salisbury, the Party's President, wrote (*Post-War Conservative Policy*): "The affluence of the rich is necessary for the amelioration of the condition of the poor. . . . It is the want of security that hits the workers harder than anything else. Conservatives will have the greatest sympathy with them. Insecurity is unfortunately an essential condition of human life. We cannot, I am afraid, altogether avoid it. . . . It is a great, if not the greatest, stimulus to effort." The Party's Chairman, Major Dugdale, described the Beveridge plan as "a logical development of the series of insurance measures" of the past 30 years, for many of which "Conservative Governments, or Governments in which Conservatives have predominated, have been proud to be responsible." Conservatives were "naturally only too ready to extend a welcome to the principle of unifying and developing such services. But they must consider whether higher insurance contributions would affect "our ability to compete in export markets"; whether "guaranteed security"

would "destroy or reduce the incentive to work"; and whether the nation could be sure of maintaining a high level of prosperity to meet the growing cost of the plan. Following up this last question, the *Onlooker*, an organ of the Party's Central Office, argued (January 1943) that it was a "weakness" of Beveridge's "great plan" that "insurance against unemployment appears to take precedence over the provision of employment," while on another page 'Looker-On' stated bluntly: "There is no early prospect of trade prosperity and the maintenance of employment that goes with it."

This trend of thought led some Conservatives to argue that the Government should not introduce a comprehensive social security scheme until they were sure they could abolish large-scale unemployment and restore Britain's export trade. To this another Conservative, Group Captain Wright, M.P., retorted (*Times*, 7.1.1943) that the opposition to the Beveridge plan came chiefly from "elements reacting automatically against any schemes for social justice, on the spurious plea that such schemes would lead to 'degeneracy' or would 'sap the sturdy independence of the working man.' " It was putting the cart before the horse to argue that the plan was impossible until unemployment was cured and world trade restored, because a social security scheme itself would help to maintain employment. "Surely production must respond sympathetically to a planned stimulation of mass purchasing power, first at home and then abroad?" These views were shared by a minority of Conservatives who welcomed the plan and later pressed the Government to create a Ministry of Social Security at once to prepare legislation giving effect to its main provisions.

Thoughtful *Christian* opinion was voiced by the executive committee of the British Council of Churches, which pointed out in February 1943 that Beveridge's proposals "both require from the individual a contribution to his own security and call upon the more privileged members of the community to take a larger share in lifting the burden of insecurity which modern industrialism has laid on a section of their fellows. They thus express a new sense of community and should be supported by all who believe that we are 'members one of another.' We do not concur in the view that what the report proposes would sap the springs of initiative and enterprise, believing rather that insecurity is more deadening than a reasonable measure of security. . . . Material security is not to be regarded as an end in itself, but only as the means or basis of a fuller and more responsible life. Men need not only to be freed from want, but also to be occupied in useful and significant work if their moral nature is to be satisfied. Freedom from futility is as important as freedom from want. The social insurance plan points to a planned social order."

The *Charity Organisation Society* too applauded the plan. "The community must accept responsibility for supplying the basic needs of its citizens," including housing and health services as well as income

security. Children's allowances would not succeed in relieving want unless there were also an "adequate State housing scheme with rigid control of rents," as well as education of mothers in wise spending. The maintenance of employment would call for "drastic changes in our industrial organisation." Pre-war schemes for training the unemployed were mainly "pretences at work in order to qualify for State assistance." To make a success of the plan there must be far better schemes, used not to penalise the unemployed, but to give "real training," which "could best be obtained in a factory alongside the wage-earner." The Society regarded the proposals for industrial assurance as "a social improvement of the first order," because it had "much experience of the abuses of the present system of Industrial Insurance." But the plan had "little hope of success unless fully trained social workers . . . are employed in its administrative machinery."

### THE COALITION AND THE PLAN

The attitude of the man in the street was never in doubt. A survey made by the British Institute of Public Opinion in the second week of December 1942 showed that 88 per cent of the public wanted the plan to be adopted, though not more than 57 per cent believed they personally would gain by its adoption, and though opinion on the proposed benefit rates was divided between those who thought them about right and those who thought them too low (especially pensions). The plan was unmistakably popular. The exceptional publicity given to it, said the *Times*, could not alone have created its powerful appeal. "The plain truth is that Sir William Beveridge has succeeded in crystallising the vague but keenly felt aspirations of millions of people concerning their economic security in the world after the war in a shape which commends itself as being practical and businesslike." The B.I.P.O. survey also showed, however, that the man in the street doubted the Government's intentions—only 53 per cent thought the Government would put the plan into operation. These suspicions were strengthened by the Government's much misunderstood decision, just before Christmas 1942, to withdraw a summary of the Beveridge report issued by the Army Bureau of Current Affairs to officers conducting compulsory discussions in their units. This incident provoked great public excitement and intensified pressure on the Government to show their good faith by announcing their attitude to the Beveridge proposals without delay.

It was originally intended to hold a Parliamentary debate in which the Government would listen to the opinions of M.Ps. and then "indicate to the House their general attitude" to the Beveridge report. But now the Government were strongly pressed to go further. The *Times* voiced the general feeling when it argued that it would be "the negation of responsible leadership" if the Government made no statement of their own views in

the debate. Coalition government meant compromise, but compromise carried to the point of paralysis would destroy democracy (18.1.1943). The Government could make a strong plea for time, but the plea was "more than in danger of being overworked." By announcing decisions on the Beveridge report the Government would be "in no danger of outstripping public opinion. . . . Their reluctance to move in the field of domestic policy is evidently causing some public misgivings as to who or what is holding them back" (16.2.1943). In the circumstances the Government acted with unusual swiftness. In the Parliamentary debates only 12 weeks after the publication of the report they announced their provisional decisions on many of the most important recommendations.

When the debates began on February 16, 1943, says the sober-minded review *Round Table* (June 1943), "no one knew that the Government was far ahead enough to announce any decisions at all." The many decisions which Sir John Anderson made known in a cautiously worded statement were in fact "far the greatest and most comprehensive advance in social policy ever announced to Parliament in a single day." But the manner in which they were presented obscured the extent of the positive commitments and threw all the limelight on the points about which the Government had hesitations or misgivings. "A strong, clear, enthusiastic lead from the Government," comments *Round Table*, "given unexpectedly early and sweeping away the state of confusion or of indecision which reigned in so many minds, might have evoked nearly unanimous goodwill, even though it set aside some of the Beveridge recommendations." Instead Anderson offered a statement "highly charged with logic but not with fervour, containing scarcely one memorable phrase but any number of the qualifications and defences dear to a civil servant's heart." In spite of all the Government had accepted, said the *Times*, Anderson left the impression that action was only vaguely desirable and might be postponed for years, "or deferred altogether in a coming era of poverty and depression."

Matters were made much worse by the Government's refusal either to commit themselves immediately to the total expenditure required by the Beveridge plan or to appoint at once a Minister to take full-time charge of preparing social security legislation. On both points the Government could make out quite a reasonable case, but they spoiled it by clumsiness of manner.

(1) On finance Anderson said that the expenditure called for by the plan was "indeed formidable" and that there would be many other "deserving claims" on the nation's money which could not yet be measured precisely. The Government needed "months yet" to fit all these claims together into a general reconstruction programme and to establish priorities. "In the nature of things" there could be "no

binding commitments" until they had fully worked out their own detailed proposals for social security; when that was done, "the Government and Parliament will have to take their decisions in the light of the fullest information as to the financial situation that can be made available." But on the same day Sir Arnold Gridley, a diehard backbencher, had pleaded that "we should not forget the middle classes of this country . . . people of from £500 to £1,000 a year. Life is very hard for them under present taxation." The next day, Sir Kingsley Wood, then Chancellor of the Exchequer, restated Anderson's financial arguments with uncompromising emphasis, and went on to add that he was worried by "our present high rate of taxation. I am thinking particularly not so much of the workers at the present, or those who are in the higher income tax ranges. . . . One of the matters which has weighed most with me has been the position of middle-class people and those in the upper middle-class limits. Some of the hardest and most cruel cases I have heard of come from that section of the community."\*

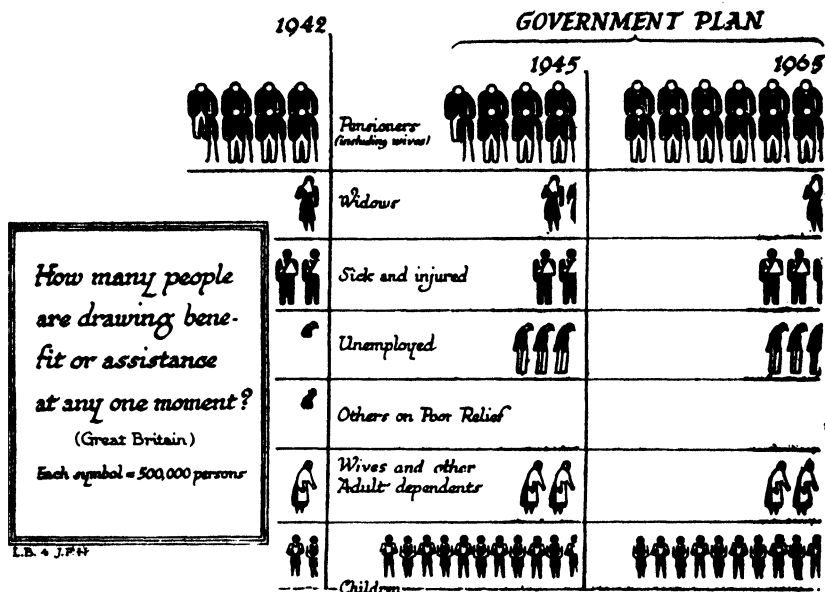
(2) The *Times* dismissed this financial reasoning as "in large part irrelevant," and demanded "a single Minister, answerable to Parliament, with a reputation to make or lose" in his work on "one of the major creative tasks of this century." This demand was advanced by Members of all parties as a test of the Government's good intentions. But the Government yielded no ground. Kingsley Wood said that the appointment of a Minister of Social Security would delay instead of speeding up preparation of the Government's scheme, while Herbert Morrison (perhaps more truthfully) argued that it would "cause inter-departmental conflict of a quite unnecessary character." Anderson explained that the "vast amount of detail which must be sifted" was best left to "a small central staff of experienced people," assisted by the Government departments concerned, who would be responsible to Sir William Jowitt and would work full-time to bring the Government's scheme "as rapidly as possible to the stage of draft legislation." Jowitt was then coordinating the Government's work on reconstruction in every field, but, unlike his predecessor Greenwood (and his successor Woolton), he was not a member of the War Cabinet; in consequence Parliament was not greatly impressed by the suggested procedure.

Finally 121 M.Ps. expressed their general disappointment by voting against the Government; 97 were Labour Members who were doubtless embittered by the behaviour of the 107 Conservatives who ten days previously had voted against the Government's Catering Wages Bill.

\*In 1942 only 4½ breadwinners in every 100 came into the £500-£1,000 a year class for whom Gridley and Kingsley Wood were so concerned. But they received 10½ per cent of the aggregate of all personal incomes. Even after paying tax they were left with 9 per cent of all personal income net of tax. By contrast, 93½ per cent of all breadwinners earned less than £500 a year. Their share of gross income was 75½ per cent, and their share of net income 83 per cent. (Estimate based on Budget White Paper, Cmd. 6623, 1945, and *Economist*, 5.5.1945. Husband's and wife's incomes counted together).

The debate aroused widespread dismay and bewilderment. Beveridge best summed up the general mood : he did not know whether the Government had accepted his plan in principle or not, and was not sure whether they knew themselves. And the *Times* denounced "the habit of some official spokesmen of talking about miseries to come as though they were a good reason for inaction now." The less the man in the street expected good things to happen, the more he expected wise things to be done.

Such was the atmosphere which led Mr. Churchill, a few weeks later,



The figures for 1945 and 1965, especially the latter, are not precise prophecies but intelligent guesses at the broad trends of change allowed for in the Government plan. They are based on the financial estimates of the Government and the Beveridge plans, and on calculations by R. W. B. Clarke in *Social Security* (1943), a Fabian Society symposium. The number of unemployed cannot be forecast even roughly ; the Government plan allows for an average of  $8\frac{1}{2}\%$  unemployment.

to assure the nation in a broadcast that "you must rank me and my colleagues as strong partisans of national compulsory insurance for all classes for all purposes from the cradle to the grave." In December 1943 the Government introduced the Disabled Persons (Employment) Bill to provide a comprehensive training and re-employment service for the injured and physically handicapped. This was followed in February 1944, a year and a day after the Beveridge report, by the Government's proposals for a comprehensive medical service for the whole nation (Beveridge's Assumption B). Three months later came the White Paper on employment policy in which the Government sought to answer

the fundamental challenge of the Beveridge report—Assumption C—by accepting the duty of maintaining a “high level” of employment after the war and explaining some of the methods by which this might be done.

In September 1944, more than 21 months after the Beveridge report, came the long-delayed—and long completed—White Papers setting forth the Coalition's own plans for social insurance and assistance and for workmen's compensation. In November 1944 the documents were discussed for four days in the Commons, without a division, and the Government put through a Bill to transfer the existing insurance schemes and responsibility for the Assistance Board to a Ministry of Social Insurance, Jowitt becoming the new Minister. During the debate on the Bill a handful of unimportant Conservatives denounced the word “social” as “Bloomsbury blah,” unprecedented, misleading and meaningless. Without waiting to hear other views the Government agreed to substitute “national.” Jowitt thus acquired the even vaguer and less precise title of Minister of National Insurance, but at least the Government's change of front—enforced by a vote with the Whips on—prevented any discussion of a more powerfully supported amendment to call him Minister of Social Security. The new Ministry established its headquarters in Newcastle—there was no room for it in London—and responsibility for the existing insurance services and for the Assistance Board was transferred to it on April 1, 1945. The Coalition Family Allowances Bill, modified by Parliament, was passed in June, 1945, and the Industrial Injuries Bill was published in the same month.

## A NATIONAL MINIMUM FOR ALL

Beveridge argued that “social insurance and national assistance organised by the State are designed to guarantee, on condition of service, a basic income for subsistence.” Social insurance for basic needs should be as comprehensive as possible, and national assistance should be reserved as an “indispensable supplement” to provide for the special cases whose needs cannot be adequately met by a routine service. On the whole the Coalition agreed, though they differed from Beveridge as to the meaning of “subsistence.” The State's duty, according to Beveridge and the Government, is to provide a national minimum of income for all in want, but not more than a minimum; it follows that benefits must be at flat rates and not varying with a man's normal income, as is usual in other countries. “The actual incomes and by consequence the normal standards of expenditure of different sections of the population differ greatly,” says Beveridge. “Making provision for these higher standards is primarily the function of the individual, that is to say, it is a matter for free choice and voluntary insurance.”

### ALL-IN INSURANCE

The Government agreed with Beveridge that insurance should be "comprehensive in respect both of the persons covered and of their needs."

(1) *Universality of insurance* : "It is right," says the White Paper, "for all citizens to stand in together, without exclusions based upon difference of status, function or wealth." Moreover, inclusion of all citizens without exception gives "concrete expression . . . to the solidarity and unity of the nation, which in war have been its bulwarks against aggression and in peace will be its guarantees of success in the fight against individual want and mischance."

(2) *Classification of the insured* : People's needs differ with their way of life. All may require medical care, children's allowances, retirement pensions and funeral expenses. But only the gainfully occupied require cash benefits when idle or ill, and only those working for employers can expect special compensation for injury arising out of the conditions of their work. For insurance purposes citizens must therefore be classified according to their way of life. Except in minor details the Government adopted the Beveridge classification. People of working age are split into four groups : those who work for employers (Class I), those who work for themselves (Class II, farmers, shopkeepers, barristers, costermongers, etc.), housewives (Class III), and other people of working age (Class IV, students, people living on "private means" without working, etc.). Classes I, II and IV pay contributions ; housewives are covered by their husbands' insurance. When they have passed working age and retired, all members of these four classes go into Class VI ("retired and above working age"). Children below working age are in Class V. Medical care—which is not a cash need—will be provided for every citizen outside the insurance scheme (Beveridge's Assumption B), and so will children's allowances, which will be financed by taxation (Beveridge's Assumption A).

Before the new scheme comes into force, the whole population will have to be registered and classified, which will inevitably take time. A permanent national register will have to be maintained—a task, says the White Paper, "of the first magnitude," but "an unavoidable step and one which must ultimately promote efficiency and economy." Occupations now excepted from insurance—like civil servants and policemen—or "carrying their own risks" in special schemes—like banking and insurance officers—will have to come in and share the risks of all. They cannot stand aside, making their separate peace with want by virtue of their superior security of employment. And occupational superannuation schemes of all sorts will need adjustment both in the amounts and in the conditions of benefit, since all citizens in future will be eligible for ordinary insurance pensions.

### BUDGETING FOR HUMAN NEEDS

The Beveridge plan is founded upon two principles which are hard to reconcile: (1) Insurance benefit should be at the same flat rate for all persons and in all parts of the country; and (2) the flat rate of benefit should be "sufficient without further resources to provide the minimum income needed for subsistence in all normal cases." What sum of money suffices for essential minimum needs "in all normal cases"? In answering this question, Beveridge had the advice of a special committee of experts (including Professor Bowley and Mr. Seeböhm Rowntree). They agreed on the following weekly budgets as representing the national *average* cost in 1938 of the minimum supply of goods and services essential to healthy subsistence.

	<i>Adults of Working Age</i>		<i>Pensioners</i>	
	Man and Wife.	Single Man.	Man and Wife.	Single Man.
	s. d.	s. d.	s. d.	s. d.
Food . . . . .	13 0	7 0	11 6	6 0
Clothing . . . . .	3 0	1 6	2 8	1 4
Fuel, Light and Sundries . . . . .	4 0	2 6	5 0	3 0
Margin . . . . .	2 0	1 6	2 0	1 6
	22 0	12 6	21 2	11 10
Add rent, say . . . . .	10 0	6 6	8 6	6 0
	32 0	19 0	29 8	17 10

#### CHILDREN

	s. d.		s. d.
Aged 0-5 . . . . .	5 4	Aged 10-14 . . . . .	8 3
Aged 5-10 . . . . .	7 1	Aged 14-15 . . . . .	9 0
Average . . . . .		7s. per child.	

Six points must be noted about these budgets. (a) *Food*: They allow the minimum cost of the adequate diets suggested by the British Medical Association and by League of Nations experts. (b) *Clothing, fuel, light and sundries*: The expenditure allowed is well below the amounts actually spent by industrial workers' households in 1938. (c) *Margin*: This is included to cover all other items and to allow for the fact that people could not live at this level without privation unless they bought their food with almost impossible "scientific" precision and wasted none of it in cooking. (d) *Women*: On this scale a woman would need 1s less for food than a man at working age, and 6d. less in retirement. (e) *Children*: The allowances include no "margin" and nothing for rent.

These human needs budgets are the basis of Beveridge's benefit rates. He raised the scale for women up to the men's rates; and he increased the pensioners' rates up to those for adults of working age, since pensioners have to live for years on end, not for a few weeks only, on their insurance income. Prices after the war will certainly be higher than in 1938, so purely as an illustration he increased the scales by 25 per cent (to the

nearest shilling). If the cost of living were one-quarter above the 1938 level, the Beveridge scale of needs would be 40s. *for a couple*, 24s. *for a single man or woman*, 16s. *for an adult dependant*, and *an average of 9s. for a child*. But the cost of living when the scheme starts might be higher or lower than Beveridge assumed; therefore "the final figures must be written into the plan when the time and conditions of its coming into operation are known."

### WHAT ABOUT THE RENT?

Unfortunately there is a big snag in this social arithmetic. A single rate of benefit cannot provide subsistence needs "in all normal cases" everywhere in the country unless the price of necessities is much the same in different parts of the country. If all the items in the Beveridge budgets, *excluding rent*, are taken together, their *total* cost did not in fact vary widely from place to place before the war, and is likely to vary even less after the war. So it is reasonable to use the average national cost of the human needs budgets as the standard for benefit rates, *provided rent is not included*.

But at present the average rent is not the rent most "normal" people pay; the majority pay either more or less than the average. Beveridge's committee of experts concluded that for rent "no single figure can be justified on scientific grounds as fitting the needs." Land values and rateable values vary so much, the effects of rent restriction are so haphazard, and the shortage of dwellings is such that very often people have no real freedom to choose the rent they will pay—they have to take what accommodation is available in their district. Even in the same district rents differ widely between families in the same income class. Whatever the amount allowed for rent in the minimum budget—as Beveridge demonstrated at length—it will be substantially too much for the actual needs of many families and substantially too little for many more. The rent element in Beveridge's budgets is arbitrary, in the sense that it does not, and cannot, correspond to "scientifically" ascertained minimum needs. For instance, the 10s. allowed for a couple of working age was roughly the *average* rent of an industrial worker's family in 1938. But, says Beveridge, this "would have been anything from 2s. 6d. to 7s. 6d. too much for more than two-thirds of the Scottish households and anything from 2s. 6d. to 10s. and upwards too little for the half the London households. In no part of the country would it have been within 2s. 6d. of the actual rent for as many as half the households. It would have been at least twice as much as was needed for more than half the agricultural households."

The long-term solution of this difficulty is, as Beveridge said, "a determined and successful effort to deal with urban congestion and shortage of housing," so that "inequalities of rent bearing no relation to the accommodation obtained will disappear," and people who pay

high rents do so mainly from choice. But this may take 10 or even 20 years to accomplish. Meanwhile, he concluded, "*with the present variety of rents, it is not possible to fix any uniform rate of insurance benefit as meeting subsistence requirements with any accuracy.*" Why, then, did Beveridge write into his budgets a set of fixed, and arbitrary, rent allowances? The answer is that he found five other methods of dealing with the difficulty even less satisfactory.

*Method A* : To vary contributions and benefits according to the insured person's income. This would be administratively very complicated. It flatly contradicts the principle that the State should provide only a minimum income. And it is not true, according to Beveridge, that the rents families pay correspond at all closely with their incomes, except where people are earning more than £6 (pre-war) weekly.

*Method B* : To vary contributions and benefits according to the areas people live in. (Rents in London, for example, are far higher than in Scotland). But though Beveridge thought there might possibly be a case for this, rents vary almost as much between families of the same type in the same area as they do between different areas.

*Method C* : To have a standard rate of benefit covering needs *other than rent*, and leave people to apply for assistance, conditional on proof of need, if they cannot pay their rent. (The Assistance Board uses a single scale for all basic needs except rent; it adds the amount of the rent actually paid by each of its clients, subject to a "reasonable" upper limit for each locality). For the sick and the unemployed, though not necessarily for pensioners at present (see p. 55), this is not a defensible method.

*Method D* : Benefit itself should consist of (a) a fixed amount for all needs except rent, and (b) a variable rent allowance, which would be the actual rent paid by each individual, subject to a reasonable maximum in each district. To this Beveridge objected: (1) It would be tantamount to "a subsidy to landlords." In spite of housing shortage, people drawing benefit for long periods—especially pensioners—would tend to move into high-price dwellings and expect the State to pay their rent. In any case, therefore, this procedure ought not to apply to pensioners. (2) Even excluding pensioners, it would "add appreciably to the task of administering benefit," since every applicant's rent claim would have to be verified, and this would mean extra work, especially in the case of lodgers. (3) It is not easy to defend such a departure from the principle, which "has a strong popular appeal," that a flat-rate contribution should provide a flat-rate benefit.

*Method E* : A variant of Method D, whereby the fixed portion of benefit would include a low fixed amount for rent (say 8s.), and the variable portion would provide the balance of the "reasonable" rent of individuals who have to pay more. Provided pensioners were excluded, Beveridge thought this arrangement neither "impracticable" (since the number of rent claims would be much smaller) nor "clearly wrong in principle." But he found the objections to Method D "probably sufficient" to justify rejecting Method E as well.

"To make the best of a difficult situation; not as a solution of the problem," he concluded that it was best to start the new insurance service with an arbitrary flat-rate allowance for rent included in the standard rate of benefit, and he proposed the rent allowances indicated in his budgets. In effect he thus admitted that a single rate of benefit for everyone cannot be made to suffice for subsistence "in all normal cases," and he thought uniformity and simplicity in insurance of more importance than accuracy in meeting individual needs.

### *THE COALITION AND THE SUBSISTENCE PRINCIPLE*




The logic behind Beveridge's rates of benefit is clearly set forth in the report, but the logic behind the Government's rates is not explained. The White Paper rejects a subsistence basis for benefits as impracticable. "Social insurance," it says, "must necessarily deal in averages of need and requirement. It cannot adapt itself to the almost infinite variety of individual conditions. . . . The conception of relating individual payments precisely to individual needs is not really capable of realisation in an insurance scheme. . . . It is an essential feature of an insurance scheme that equal contributions should provide equal benefits within a class or group." In the Parliamentary debate on the White Paper Jowitt added the following :

"I would like to ask those who advocate the subsistence basis to address their minds to the question—which is a fair example—of rent. . . . There are two people, A and B, paying exactly equal contributions and entitled to receive as a right—as a matter of contract—precisely equal benefits. One is paying a high rent, and one a low rent. Are we to pay these people differing sums, in spite of the fact that they have paid the same contributions? Surely, that would not be justice. In those circumstances, we think that the right thing to do is to have this system of ours—reasonable premiums and reasonable benefits—leaving the individual who is put in difficult circumstances to go to the Assistance Board if he is not able to cover himself by voluntary insurance."

The White Paper passed no judgment on the Beveridge human needs budgets, but the Coalition adopted the Beveridge rates—24s. single and 40s. joint, and 16s. for an adult dependant—as the standard for unemployment and sickness benefits. Beveridge suggested these rates solely on the assumption that prices would be 25 per cent higher than in 1938. The White Paper was silent about the assumed cost of living, but Anderson made it clear in his 1945 budget speech that "the national product and income, as a whole, must . . . be thought of, in terms of the value of money, as being of the order of 150 per cent pre-war rather than the level of 130 per cent at which the cost of living index still stands." (24.4.1945).

The Coalition were in effect proposing a cut of one-sixth in the real

# PROPOSED BENEFITS and OFFICIAL SCALE OF NEEDS — Compared —

 Assistance Board Scale.	 Proposed Benefits.	 Reasonable Rent Allowance, added to the Assistance Board Rates.
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*Single man  
or woman*





*Married couple*



*Married couple  
with 3 Children  
(ages 7, 10, 13)*



## PENSIONS

 Assistance Board Scale.	 Proposed Pensions
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*Single person  
retired*



*Married couple  
retired*



*Widow with 2  
children (ages 13 & 14)*



value of the benefits suggested by Beveridge. Nevertheless, they were not necessarily wrong in claiming to offer "a reasonable insurance against want." In the first place, Beveridge himself said that his rates would not need to be raised unless the cost of living went more than 30 per cent beyond the 1938 level. In the second place, the Government might legitimately disagree with Beveridge as to the best amount to allow for rent. According to the *Times* (2.11.1944), if the cost of living is 35-36 per cent more than in 1938, the Government's rates would suffice for human needs on the Beveridge scale and would leave a margin for rent of approximately 10s. for a couple and 7s. for a single person, while Beveridge's benefits, adjusted to the same price level, would allow about

13s. 6d. and 8s. 9d. respectively for rent. If rents also rise by 35-36 per cent\*, said the *Times*, the difference could be stated as follows :

"Seven in every ten Scottish families under the Beveridge plan, compared with three in ten under the Government plan, would, at one extreme, receive substantially more than they need for rent ; at the other extreme, five in every ten families in London would receive substantially too little under the Beveridge plan, as against seven in ten under the Government's."

There remains a gap, nevertheless, between the standards of the Beveridge report and those of the White Paper. The latter will be difficult to defend unless they are increased by 10-15 per cent.

If the amount of benefit is always to correspond to the price of the minimum supply of goods and services required for subsistence, must not rates of benefit (and, perhaps, of contributions) be increased or reduced each time the cost of living rises or falls ? For if the money value of benefits remains fixed while prices shoot up, the real value of benefits—the goods and services they can buy—will be correspondingly cut and want will not be abolished. Beveridge's rates were so constructed that they need not be altered unless there were a big change in the cost of living. But supposing a big change occurs ? Should benefit rates be tied automatically by law to the cost of living index ? The Government found the idea so distasteful that they gave it as their first reason for rejecting the subsistence principle—"the definite linking of benefit to subsistence rates might involve the frequent variation of benefit rates in accordance with the cost of living." Beveridge dislikes the idea just as much. "I do not want . . . pensions and benefits on a sliding scale changing continually with the cost of living," he said in the Parliamentary debate of November 1944. But he had an alternative :

"The real reason we do not want it is that we do not want to be continually changing the cost of living. We cannot build up a good economic system when such changes are continually taking place. At the same time to have fixed benefits in money and to let prices rise indefinitely would be to cheat all expectations. . . . What we have to do about the cost of living is to make the very best possible estimate of where it will be possible to fix the general level of prices, and to keep to that general level of prices . . . and relate the benefits to it."

The White Paper does not refer to the need for a policy to stabilise the cost of living, but in the debate Anderson made the following reply to Beveridge :

"The full adoption of the subsistence basis would mean incorporating

\*During the war control has prevented working-class rents from rising at most beyond 5 per cent above the 1938 level. In 1919 rents were only 5 per cent above the level of July, 1914, but the total cost of living index (including rent) was 115 per cent higher. In 1920 rents were allowed to rise ; by 1922 they were 53 per cent higher than in 1914, while the total cost of living was 83 per cent higher.

somehow in the law a pledge that, however circumstances might change, the benefits provided under the scheme would in fact amount to reasonable subsistence. Now that is very difficult indeed as a practical matter. . . . We say 'Make up your minds as to what you think is right. Fix the rate of benefit and fix the contribution, and if circumstances change by all means look at it again' . . . It may be difficult for the Government, with the best will in the world, to keep the cost of living steady, which, as the House knows, is my declared aim and purpose. Let us not so arrange our affairs as to make it a matter of indifference to substantial sections of the population whether or not the cost of living remains steady. Before you come to apply the principle of a guarantee against an increase in the cost of living . . . any step you take in that direction, in so far as it eliminates the economic consequences [to pensioners and other groups] of a rise in the cost of living, weakens your national bulwark against any disastrous rise in the cost of living. I want all sections of the public to be united with the Government in doing everything possible to prevent the cost of living going up."

In plain English : workers will be readier to agree to limitation of wage increases, when there is a danger of inflation, if they know that inflation threatens the standard of life of pensioners and others receiving fixed benefits. Anderson would not commit the Government beyond this, though the *Times* had wanted him to go a little further. It argued (2.11.1944) that "the coming National Insurance Act should impose upon the Minister the duty of reviewing from time to time the rates of benefit and assistance, as well as of contributions, by reference (among other things) to such expenditure as appears essential for the preservation of health and working capacity, and that the Minister should be required to present to Parliament a periodic statement of his conclusions and proposals." It made this demand on the grounds that, "if the social insurance scheme is to enjoy reasonable stability and protection against needless political turmoil," a future government's decision to alter benefit rates "should be taken, explained, and defended in the light of the fullest information about the community's economic situation, the cost of living, and other relevant factors, and not merely as the result of a public outcry against an unwilling Government or as a means of political auctioneering with an eye to election returns."

## BENEFITS AND OBLIGATIONS

At the two ends of life people are non-productive. Children who have not begun to work and old people who have given up work have to be supported by the efforts of those who do work. Someone else has to produce and go without the goods and services they consume. Britain is experiencing a great transformation in the proportions of children, old

people, and people of working age in her population. If "workers" are defined as people over 15 but under pension age (65 for men, 60 for women), the nature of the change is indicated by the following table :

		<i>Workers</i>	<i>Children</i>	<i>Old People</i>
1901	. .	100	53	10
1941	. .	100	31	18
1971	. .	100	??26	?33

The future number of children depends both on birth rates and death rates, but the number of old people in the 1970's depends only on the trend of death rates in the next 30 years, since the pensioners of 1971 are already alive. This is why the table has two question-marks against the ratio of children to workers in 1971 but only one against the ratio for old people. More children were born in Britain in 1890-1910 than ever before or since. The survivors of those children are the adults aged 35-55 to-day ; in the next 30 years they will become a generation of old people of record size. Because of the smaller number of children born since the 1890-1910 generation, their places as workers will be filled by a smaller generation of new workers. It is almost certain that the number of old folk will rise from about 5,600,000 today to over 9,600,000 in 1971, while the number of people of working age is likely to fall from its present peak of 31,500,000 to 28,800,000 in 1971, and the number of children may possibly be reduced from 9,600,000 to 7,600,000 or even less.

In 30 years' time there may be 4 million more old people than now, 2½ million fewer workers and 2 million fewer children, and thereafter the balance of age groups may become rapidly worse unless it is redressed by a considerable and sustained rise in the birth rate from now onwards. This means that parenthood will have to become more popular, which is not likely to happen unless (among many other things) the community sets aside a much larger share of its resources for the benefit of children. At the same time the increase in the number of the aged is automatically enlarging both their claim on the nation's resources and their political influence to make their claim effective. In post-war Britain social and political life will be increasingly coloured by the claims of the aged and the counter-claims of children and parents. Our economy can probably meet both sets of demands adequately and fairly, provided our resources are fully employed, provided wasteful expenditure is avoided, and provided also that parenthood is so encouraged as to bring about a rising birth rate which will maintain the size of the working population of 1971 and beyond. At present, however, there is a latent conflict between the needs of those beginning and those ending life, a conflict which finds expression in both the Beveridge and the Coalition schemes. Beveridge's bias is to favour parenthood and the nation's future : " It is dangerous to be in any way lavish to old age, until adequate provision has been assured for all other

vital needs, such as the prevention of disease and the adequate nutrition of the young." The Government appear to be much more impressed by the immediate needs, and pressure, of old people—the nation's past. But both agree that it is wrong and wasteful to give people pensions as a birthday present when they reach a certain age; in future people will only become pensioners when they have retired from work.

### *THE CHILDREN'S SHARE*

Allowances are to be paid for children both when the head of the family is earning and when the family is living on benefit or assistance. When earnings are interrupted there will be an allowance for every child, but—as Beveridge proposed—there will be no allowance for the first child when the responsible parent is in work. Beveridge excluded the first child for the practical reason that expenditure of nearly £100,000,000 (on his scale) could thus be saved without leaving children in want, since "very few men's wages are insufficient to cover at least two adults and one child," and also because the community should share with parents the minimum cost of maintaining children but should not entirely relieve them of it.

The Family Allowances Bill incorporates these recommendations. The whole cost of the allowances will be raised from taxation, except that the Bill (but not Beveridge) will make the insurance fund pay for the first child of a family on benefit.

Beveridge also recommended (1) that the allowance should vary with the child's age, since a child of 14 needs more than a baby; and (2) that the average allowance should be 8s. per child. His budgets put the average subsistence needs of a child (excluding rent and "margin") at 9s. if the cost of living were one-quarter more than in 1938. He proposed an average of 8s. because school meals and children's milk schemes were already providing a benefit in kind of about 1s. per child weekly. He added: "In so far as provision in kind is extended beyond its present scale, cash allowances should be reduced." The Coalition took him at his word. First, they reduced the allowance to 5s., which is not to be varied with the child's age,\* since, admittedly, their scheme "is not intended to provide full maintenance for each child. It is rather a general contribution to the needs of families with children." (But the orphan is to receive 12s., of which 7s. will come from the insurance fund). Secondly, they promised to extend provision in kind (a) by offering free meals and milk for every child attending grant-aided primary and secondary schools, and (b) by promising to continue in some form or other the wartime National Milk and Vitamins Scheme for expectant and nursing mothers

\*A "child" is to be defined as a person below compulsory school-leaving age, or above that age but either an apprentice or attending school full-time, up to the 31st July after his 16th birthday.

# The Value of a Child

(December, 1944)

## Present Rates

## New Rates

### Insurance Benefits for Orphans



### Insurance Benefits for other Children



Unemployment  
Benefit



Insured Widow's  
Child



Sickness  
Insurance



First child of a widow  
gets 7/6 if father dies  
from Industrial Injury.

### Workmen's Compensation



1st. child raised to  
7/6 after 13 weeks.

### Responsible Parent in Work



For each child  
except the first.

Minimum needs of a child (Assistance Board)  
6/- to 9/- according to age.

and children below school age. Leaving out the first child of the family on benefit, we get the following budgets of annual expenditure on children in the first year of the two plans :

	Beveridge	Government
Cash allowances . . . . .	£92,000,000	£57,000,000
Provision in kind		
(a) school children	} £26,000,000	£60,000,000
(b) younger children		£16,000,000
	£118,000,000	£133,000,000

*Notes :* (1) Beveridge states only that provision in kind in 1942 amounted to 1s. per child weekly. The table makes him as generous as possible by assuming he was referring to every child in the country, not merely to children getting school meals or milk. (2) The White Paper gives no figure for provision in kind for children below school age ; £16,000,000 is the figure mentioned in debate by Butler, Minister of Education, as the possible cost of the under-fives' milk scheme.

Even allowing for the difference in the price levels assumed, the Government's proposals are not less costly than Beveridge's. But it is generally doubted whether it will be physically possible to provide meals in all schools for some years after the insurance scheme comes into force, and in debate Butler would not go beyond promising that the Ministry of Education will do its best to get the necessary buildings, equipment and staff. He also explained that, of the £60,000,000 for school meals and milk, £40,000,000 would actually be spent on food and no less than £20,000,000 on "overheads."

Parliament insisted that the allowances should "belong" to the mother in the normal case where mother and father live together. Members of all parties, with an eye to the general election, also objected to the common-sense proposal—always the intention of the advocates of children's allowances—that the new allowances should *replace* any allowances at present provided for children by social insurance and similar schemes. They maintained that the new allowances should be *additional* to any existing allowances. With more reason they resisted the proposal that the Government should have power, subject to Parliament's approval, to reduce or withhold the allowances payable in respect of children of men in the Forces and of ex-Service, war injury, police and fire-service pensioners and widows. And there was much opposition to the Government's decision to make the allowances liable to income tax.

### THE OLD PEOPLE'S SHARE

At present it is easy to get a contributory old age pension. A man qualifies even if he has been insured only for the five previous years, during which he need have paid no more than 104 actual contributions, provided

in the last three years he has a yearly average of 39 contributions either paid or excused owing to illness or unemployment. Beveridge and the Government agree that in future the qualification should be much stiffer : normally a man should not get a pension—at least at the full rate—unless he has contributed substantially all through his working life. According to Anderson (3.11.1944), the Government scheme assumes that the average man beginning work at 16 and retiring at 65 will spend 77 per cent of his life after 16 either working or on holiday, 12 per cent in unemployment or illness, and 11 per cent in retirement on a pension. The pension contribution is calculated, on these assumptions, to cover five-sixths of the cost of his pension if he begins contributing at 16 (the State making up the balance). The future qualification for pension is to be a yearly average of 50 contributions paid or excused over the whole of working life—49 years for a man (16–65) and 44 for a woman (16–60). Pensions will be scaled down for people whose contributory record falls below a yearly average of 50.

These are the rules which will apply to people under 16 when the scheme starts and who will have the opportunity of paying contributions throughout their working years. If the scheme begins in 1945—a purely notional first year—it will be 1994 at the earliest before any man in this class, having reached the age of 65, draws the first pension. But the overwhelming majority of people brought into the scheme at the beginning will be older than 16, ranging from lads of 17 to old men of 64 ; many will die and many more will retire long before 1994. They too expect better pensions, though they cannot hope to fulfil the new contributory conditions, and so do the pensioners of today who will never pay any future contributions at all. What should be done about them ? Beveridge and the Government agree that the contributory conditions must be relaxed for people over 16 at the start—i.e., that there must be a bigger State subsidy for their pensions—but they differ about the way to do it.

Beveridge proposed to bring the date for the new pensions forward from 1994 to 1965, so that anyone paying the new contributions for 20 years after they were first collected could qualify—all men under 45 and all women under 40 in 1945 and older people prepared to defer their retirement until 1965. For the older people who will retire before 1965 and for existing pensioners Beveridge proposed :

- I. Those not insured under the present scheme : A minimum qualification of 10 years' contributions ; pensions of 14s. (single) and 25s. (joint) for those retiring after 10 years' contributions, increased by 1s. (single) and 1s. 6d. (joint) for each additional year of contributions, so that those contributing for 20 years would get the full rates of 24s. and 40s. in 1965 or after. A sort of pensions step-ladder.
- II. Those insured at present : Provided they are " in benefit " under

the present scheme (i.e. could claim an existing pension at the right age), they would get pensions at the starting rates of 14s. and 25s. in 1945 and would receive the 1s. and 1s. 6d. increases automatically every second year, reaching the full rates in 1965. A sort of pensions escalator.

- III. People in group I too old to pay even 10 years' contributions before retiring would be allowed exemption from insurance and would get no pension. People in group II not "in benefit" under the present scheme would be offered some sort of pensions staircase to climb, something easier than the step-ladder but less comfortable than the escalator.
- IV. All existing pensioners would go on drawing their present pensions of 10s. or 20s. while they were working. When they retired they would go onto the escalator, starting on the step corresponding to the year of retirement, and would also receive automatic rises every second year.

This ingenious plan would have involved a twenty-year period of transition from the present pension rates up to the new full rates. At the beginning the increase in pensions would have been very slight. In 1945 single pensioners would be raised from 10s. to 14s. and couples from 20s. to 25s. ; in 1955 the escalator would reach rates of 19s. and 32s. 6d. and the first pensioners on the step-ladder would retire on 14s. or 25s. ; in 1963 the escalator rates would be 23s. and 38s. 6d., and those coming onto the step-ladder in that year would receive 22s. or 37s. ; all people retiring in 1965 and all retired pensioners reaching 1965 on the escalator would receive the full rates from then on. Generous in the long run—since it would ultimately spare the great majority of pensioners any need of assistance—the Beveridge plan offered very little advantage to pensioners at the outset. This initial economy was justified by three arguments :

(1) Any departure from the " contributory principle " was dangerous, and to reduce the qualifying period from 49 years to 20 was going quite far enough. Progressive New Zealand, which claims to lead the world in matters of social security, has a similar pension plan with a transition period of 28 years.

(2) " In view of the vital need of conserving resources in the immediate aftermath of war, it is impossible to justify giving, as from the first day of the Plan for Social Security, full subsistence pensions to people who have neither contributed for such pensions nor are in need of them, who may in fact have full pension provision made for them in other ways in virtue of their occupation." The transition period would give time " for the national income to be built up again after the disturbance of war."

(3) Since retirement is an event foreseeable long in advance, a great many elderly people of the present generation have made private pro-

vision for their old age and will suffer no hardship if pensions are not increased substantially at once. Almost a third of all Britons over 65 before the war were able to maintain themselves, though not necessarily in proper comfort, without any State pension or any form of public assistance whatsoever. And in 1941 nearly two-thirds of all pensioners did not claim or failed to qualify for supplementary pensions. Several million citizens are able to, and in fact do, save throughout their working lives on a scale sufficient to keep themselves from want in retirement.

The White Paper admits that, "from the taxpayer's point of view," these proposals "have attractions because of the postponement of the main weight of expenditure," but the Government rejected them according to Anderson (16.2.1943), for three reasons :

(1) The ultimate cost of pensions would be too great—"no less than £300,000,000 per annum in 1965."

(2) "Contributions would be payable, but full benefit would not be available to anybody for 20 years."

(3) "In view of all the uncertainties of the future," the Government could not accept the proposal that contributions should be fixed once and for all while pension rates were to be increased year after year for 20 years.

Instead, all people will receive the same rates of pension from the start of the scheme and the rates will remain fixed. This decision obliged the Government to adopt a figure higher than Beveridge's initial rate, since there will be no subsequent increases ; but they also had to choose a figure below Beveridge's ultimate rate, both because a contributory scheme could not pay such high pensions from the first day, and because the Government wanted to save money in 1965 and 1975. From the outset the pension is therefore to be 20s. for a single person and 35s. for a couple, rates which the Beveridge escalator would only have reached after 13-15 years. Qualifying conditions will be as follows :

*Group A :* Those under 16 when the scheme starts must, as explained above, maintain a yearly average of 50 contributions paid or excused throughout their working life, and they must have paid at least 156 actual contributions.

*Group B :* Existing pensioners will be treated as Beveridge suggested. Their pensions will be raised to the new rates if (and when) they retire.

*Group C :* People insured under the present scheme but below pension age when it starts must—as now—have been in insurance (under the present or the new scheme) for 5 years and must have paid 104 actual contributions. The yearly average of 50 contributions paid or excused will be calculated, not over the whole of working life, but over "a period not exceeding 10 years before the start of the new scheme."

*Group D* : People over 16 and not insured under the present scheme will have to contribute for at least 10 years to qualify for pensions, and the yearly average of 50 contributions paid or excused will be calculated from the first day of the new scheme. Those who retire before they have contributed for 10 years will have to choose between (a) forfeiting their title to pension and getting their contributions back with interest, and (b) continuing to contribute at the Class IV rate until the 10 years are completed. For uninsured people who are over 70 when the scheme starts, and who later fall into want, the existing non-contributory pensions, with an adjusted means test, will continue to be available.

On present standards the new pensions will be adequate for all basic needs except rent. For 35s. for a couple and 20s. for a single person are precisely the amounts allowed at present for old people by the Assistance Board for all their normal needs other than rent ; to this scale the Board adds an individual rent allowance. Thus in their settlement with pensioners the Coalition adopted Method C of dealing with the rent difficulty (see page 43 above), so that pensioners without other resources will normally only have to ask the Assistance Board to pay their rent. This is much more generous to existing pensioners than the Beveridge plan, but it will be less generous to the next generation of pensioners. Pensions will be somewhat below the rates for unemployment and sickness benefits, which do include something for rent. Under the Beveridge plan they would have been much lower at first, but the discrepancy would have disappeared after 20 years ; under the Government plan the discrepancy will be permanent. Compared with the Beveridge scheme, the Government plan will increase the immediate cost of pensions while reducing the revenue from contributions (which are lower because the full pension rate is lower), so that the taxpayer will have to provide a larger amount of money for pensions in the first 10 years or so. In the long run the Government scheme will save on the cost of pensions, but half of this saving will be cancelled by the need to spend more on assistance to pensioners. If its more generous provision for widows is also taken into account, the Coalition plan is not a penny cheaper in 1965 than Beveridge's :

	Cost in 1945 (£ millions)			Cost in 1965 (£ millions)	
	Existing Services	Beveridge Plan	Government Plan	Beveridge Plan	Government Plan
Widows' pensions .	14	32	34	24	40
Retirement pensions	106	126	169	300	272
Assistance to pensioners . . .	57	39	37	25	39
	177	197	?		



### NO PENSION WHILE YOU WORK

If Britain's ageing population is to produce all the goods and services required for pensioners to live in comfort, the number of pensioners must be kept as low as possible and the number of workers as great as possible. People should not give up work automatically at 60 or 65, but should be encouraged to go on contributing to the community's wealth and supporting themselves while they remain in good health and strength; and people should not receive pensions until they have retired from work. Before the war, when there were not enough jobs to go round, pensioners were able to compete for jobs with younger men and women because their pensions enabled them to accept lower wages. The Labour movement pressed for pensions to be made conditional on retirement in order to keep pensioners off the labour market. The Government (and Beveridge) want the retirement condition in order to cut down the cost of pensions by withholding them from people still at work, and they do not want people to retire until they have to. But the giving of much larger pensions may well encourage people to go into retirement as soon as they can. It will certainly make it easier for old people to be pushed out of the labour market unless there are enough jobs for all who want work—a full employment policy for the whole community—and an ample supply of jobs of the sort that old people will like to do at wages which compare favourably with their pensions—a policy for full employment of the able-bodied aged. The Government said nothing about all this, but, following Beveridge, they offered a small inducement to people to go on working after they might retire. For each year a man continues in work after the minimum retirement age, 1s. will be added (2s. if he has a wife) to the weekly pension he gets when he decides to retire. A woman who retires at 64 instead of 60 and a man who retires at 69 (or 68 if married) instead of at 65 will get a pension at the full standard rates for working age benefits. In effect full pensions *are* being introduced at once, but only for those who work 3-4 years beyond minimum pension age; men retiring before 68-69 and women retiring before 64 will be given slightly lower rates.

It is not easy to define retirement. A man who has given up his regular full-time work may take on part-time employment or may occasionally earn a little by gardening or mending wireless sets or minding a shop or writing articles. Is he retired or gainfully occupied? Does retirement mean that a man can never earn a penny without losing his pension? The practical answer is to treat a man as retired unless his earnings are enough for him to live on without a pension. The full pension will therefore be paid providing a man's *earnings* are not more than 20s. a week. If they exceed this amount, the balance will be deducted from the pension. A man earning 39s. will have his pension cut to 1s., and a man earning 50s. will get no pension at all unless he is married, which would entitle him to a

pension of 5s. (the difference between 30s. of earnings and a pension of 35s.). If the pensioner's wife is earning, her earnings will be set off against her share of the joint pension (i.e. 15s. if the pension is by virtue of her husband's insurance, and 20s. if she has a pension in her own right). People receiving 10s. pensions under the present scheme will not have their new pensions reduced below the present rates, however much they may be earning.

The new pensions will, inevitably, be conditional on some kind of means test, but a test which ignores all income (savings, superannuation, private insurance, etc.) except earnings. When drawing their pensions at the post office people will have to sign a declaration of their earnings, if any, during the past week—in much the same way as supplementary pensioners do at present—and from time to time the accuracy of these declarations will have to be investigated. This need not cause much trouble where the pensioner gets his earnings from an employer, who cannot give him work without paying an insurance contribution. But people in business on their own (Class II) have to stamp their cards themselves and may forget to do so in order to draw a pension while they are still working. In this class, says the White Paper, "obviously . . . it is very difficult to ascertain precisely either the fact of retirement or the amount of earnings except at the cost of investigations and inquisitions which would be regarded as beyond all reason." But no one in this class will get a pension for at least 10 years, which will give time to see how the retirement condition works in Class I and to find a method of controlling Class II claims. Since people in Class IV are not gainfully occupied, they will receive their pensions without reduction, even if they have large private incomes. But the few who are really well-to-do in this class will pay heavily for their pensions, since their unearned incomes will be subject to taxation at special rates. If a man over pension age is still working and becomes unemployed or ill his benefit will be at the same rate as the pension he would draw if he had just retired. This is to prevent old people no longer really in the labour market from inventing fictitious employments in order to qualify for benefits at more than the pension rate.

### *THE WIDOW'S PORTION*

Just as old age pensions should not be given automatically as birthday presents, so, argued Beveridge, there is no reason why a widow should have a pension for life just because she has lost her husband. Every widow should have a temporary benefit to tide her over her immediate difficulties. When this terminates, every widow with children should receive a benefit so long as any child qualifies for an allowance, and every childless widow who is unfit for work should get sickness benefit. All other widows, after the necessary period of readjustment, should be expected to work until they can qualify for retirement pensions. With one

reservation, the Government adopted all these recommendations. A *widow's benefit* of 36s. will be paid (together, of course, with the 5s. allowance for every child) to all women widowed before the age of 60, and also to women widowed above that age if their husbands had not qualified for retirement pensions. When this benefit comes to an end, there will be sickness benefit for the childless widow who is unfit for work, and a *guardian's benefit* of 24s. (plus children's allowances) for the widow with children, continuing until the youngest child is too old to qualify for a child's allowance.

In addition there will be *widow's pensions* of 20s. for two classes of elderly widows, who will be treated as retired from 50 instead of 60: (1) the mother whose guardian's benefit has stopped because the youngest child has grown up, and (2) any other widow of 50 or over when her husband dies. In either case the widow must have been "married at least 10 years before." Beveridge rejected any provision of widows' pensions below the age of 60 because "the principle that any person physically fit for work should be entitled to retire from work on pension before reaching the minimum age of 60 for women and 65 for men cannot without grave danger be admitted." But the Government felt this was too harsh an attitude, both to elderly childless widows who, though not too old or too ill for work, might have great difficulty in finding employment, and to mothers between 50 and 60 who cannot qualify for guardian's benefit, or lose their title to it when their children have passed the age of 16. The qualifying conditions for these benefits and the provisions for safeguarding the rights of people insured under the present scheme are as far as possible on the same lines as those for retirement pensions. Guardian's benefit and widow's pension, like retirement pension, will be subject to reduction for substantial earnings. Almost all widows over 60, or reaching the age of 60 while on benefit, will qualify for retirement pensions.

### UNEMPLOYMENT AND TRAINING FOR WORK

The borderline between unemployment and illness is often difficult to draw. Many of the unemployed may need medical care and reconditioning to make them fully employable. Many sick people are capable of doing some kind of work, though not their usual work, and special work under medical supervision may often be the best way of helping them back to full working capacity. One advantage of having a single Ministry to handle payments for the sick and the unemployed will be the opportunity it offers of bringing about far greater co-operation between the employment services and the health services in the task of helping every man and woman without a job to get back into productive work for which he or she is medically suited. Apart from this, it should not pay a man—as at present—to register as unemployed rather than sick, nor vice versa. For this reason the Coalition agreed with Beveridge that the same rates

should be paid in unemployment and sickness, and the qualifying conditions are to be assimilated as far as possible. A minimum of 26 contributions actually paid and 50 paid or excused in the previous "contribution year" will qualify a man for either benefit at the full rate. In either case there will be 3 days' "waiting time" before benefit is paid, but benefit for these days will be paid if unemployment or illness (or industrial injury) lasts more than 4 weeks. In both cases spells of unemployment or sickness separated by less than 3 months will be treated as one continuous period of benefit—a stiffening of conditions for unemployment pay, but a relaxation for sick pay.

Beveridge also wanted benefit to be paid without a time limit as long as genuine unemployment or illness continue, because benefit should be adequate in time as well as amount. But special conditions would have to be imposed if benefit were so prolonged. For "getting work or getting well may involve a change of habits, doing something that is unfamiliar or leaving one's friends or making a painful effort of some other kind. The danger of providing benefits which are both adequate in amount and indefinite in duration is that men, as creatures who adapt themselves to circumstances, may settle down to them." Unemployment benefit after a certain period would therefore be payable only if the recipient attended "a work or training centre, such attendance being designed both as a means of preventing habituation to idleness and as a means of improving capacity for earning." For adults the period of "unconditional" benefit might normally be 6 months, but it could be shortened in years of good employment and extended in bad years. It should be shorter for young persons, and for boys and girls "ideally" there should be no "unconditional" benefit.

To make this plan work the training scheme would have to accept the great majority of men and women still out of work after 6 months, however untrainable or disinclined to be trained. This in turn would mix up genuine training for new employment with "test and task work" for preventing "habituation to idleness" and for testing a man's willingness to work, an association which might well discredit the training service as a whole. And to make benefit conditional on training rules out the possibility of offering a man, as an inducement, something more than benefit if he volunteers for training. Herbert Morrison probably had all this in mind when he stated (18.2.1943) that training must be used "as a positive means of helpfulness for workpeople, and not as a means of punishment." But the Coalition's only published reason for rejecting Beveridge's proposal is that "a requirement to undergo training after a certain period of unemployment would not constitute an effective safeguard against possible abuse of benefit," though it is agreed that "claimants unreasonably refusing to undergo a course of training should be disqualified from receiving benefit." The Government propose :

- (1) To limit unemployment benefit to 30 weeks at a stretch (with additional days for those with good employment records), after which a man has to re-qualify by paying 10 actual contributions.
- (2) To pay training allowances at higher rates (and financed mainly by the Ministry of Labour, not by the insurance fund) to all men and women, whatever their insurance class, undertaking a course of approved training or industrial rehabilitation. The training allowance will not reduce the amount of benefit a man may claim, and the allowance itself will continue for "anything up to four weeks" after his training is completed, "so as to cover any short interval between the course and a new job."

A man who exhausts his benefit rights and is not accepted for training will have to apply for assistance conditional on proof of need.

Beveridge's scheme for the unemployed would not work, as he strongly emphasised, without a policy for maintaining employment, which would "keep within reasonable numbers" the men and women likely to be unemployed for longer than 6 months. Any training scheme will break down "if it has to be applied to men by the million or by the hundred thousand." Men will not train for jobs that do not exist. All this applies equally to the Government's scheme. It will succeed only if mass unemployment is prevented.

### *SICK PAY AND MEDICAL SERVICES*

For sick pay the White Paper proposes :

- (1) *Sickness benefit* at the full rate for as long as 3 years at a stretch.
- (2) *Invalidity benefit* at the lower retirement pension rate for those still ill after 3 years, unless they requalify for full benefit by payment of 10 further contributions.

156 contributions actually paid will be needed to qualify for these benefits. A man with less than 156 but more than 26 contributions actually paid will not get invalidity benefit, but may draw sickness benefit for up to one year.

- (3) People drawing N.H.I. sickness or disablement benefits when the new scheme starts will, "as far as practicable," be given the new sickness and invalidity benefits at once.
- (4) People in Class II will not get sickness benefit for the first 4 weeks of illness, though they will not have to pay contributions during those weeks. Beveridge was even less generous. He recommended benefit only after 13 weeks' illness and no excusal of contributions during those weeks. The Government agree that "many of the poorer members of this Class will be as much—if not more—dependent on good health for their earnings as are the members of Class I, and accordingly as much in need of benefit for all periods of sickness, short or long." But the Government, like Beveridge, found "at least two formidable difficulties" about paying benefit from the onset of illness. First, Class II contributions—4s. 2d. for men and 3s. 6d. for women—would have to be raised

- by 3d., and it was felt that the contributions were already as high as people in this class can afford to pay, since they have no employers to share the cost with them. More important was the difficulty of controlling claims of people in business on their own, especially when they work in their own homes. "Many people in these circumstances could often carry on with their work and continue to earn their means of livelihood even though sick and confined to their rooms. The fact must be faced that the Class II person, having elected to work on his own account, will be in an entirely different position from the employed person. It is impossible to assume that medical certification, no matter how efficient, will be able to overcome all the difficulties of administration."
- (5) After 28 days in hospital, sickness and invalidity benefits will be reduced by 10s. to cover the cost of food, fuel and other items of maintenance which people will be spared when they receive free hospital treatment. Maternity, widow's and guardian's benefits and widow's and retirement pensions will also be reduced, but in all cases dependants' allowances will be paid in full. The cut comes only after 28 days because the patient's family usually has additional expenses when he first goes into hospital.

According to Anderson (16.2.1943), the Government decided to limit the duration of sickness benefit in order to "check the abuses inseparable from any system of benefit of fixed amount and unlimited duration." But in fact sick pay is not to be limited; after 3 years it merely changes its name and continues indefinitely at the pension rate. The White Paper explains that to make no reduction of benefit, however long the illness, "would be psychologically unwise and would tend to encourage those subject to recurrent periods of sickness to lapse into chronic invalidity." Yet in effect people ill for long periods are to be officially labelled "invalids" and treated as though they have retired on pensions. The only kind of "abuse" this reduction of benefit to the pension level may have been designed to prevent is one that springs from the disparity between pensions and working age benefits. A man of 56 on the frontier between invalidity and employability might be tempted to "retire" on sickness benefit of 24s. 9 years before he could retire on a pension of 20s., but for the fact that he would be treated as a pensioner if his illness were prolonged.

At present unemployment benefit is much higher than sickness benefit. This tempts the borderline cases to keep away from the doctor and sign on as unemployed, and it drives men out of bed before they are really recovered because they want to get back from sick pay onto unemployment benefit or wages. This financial pressure on the worker whose health is below par is a false economy, since it results in neglect of health and premature breakdown; but at least it is a powerful discouragement to malingering. The new rates will immediately double or treble the benefits paid to thousands of workers during illness, and Beveridge felt that there will be a greater temptation in borderline cases for people to "stay on the fund"

when they ought to be up and about. To discourage this tendency, he argued that "the measures for control of claims for disability benefit—both by certification and by sick visiting—will need to be strengthened." The Government scheme adds a further inducement to "stay on the fund" unnecessarily: sickness benefit at the full rate will be paid more than 5 times as long as unemployment benefit, so that there may be a tendency in future for borderline cases to shun the employment exchange and congregate at the health centre. In so far as their health is subnormal, if only psychologically, it will be a good thing for them to come under the doctor's early attention, but obviously doctors will have to be very firm and impartial in deciding whether or not a particular physical or mental condition justifies a certificate of incapacity for work rather than a certificate for reconditioning, light work or rehabilitation.

The difficulties of controlling benefit claims fairly are, however, far less important than the problem of doing everything possible to improve health and to cure ill health quickly and effectively. First of all, there must be no financial barrier making it difficult or impossible for people to get any medical advice or care they need as soon as they need it. At present people cannot consult even a general practitioner without paying a fee or submitting to a Poor Law means test, unless they are insured. Even if all medical care for everyone were covered by the insurance scheme, there would still be a need to make special arrangements for people who fall out of insurance.

Beveridge therefore concluded (Assumption B) that it was essential for the success of the new universal insurance for income during illness that "the administration of medical treatment shall be lifted out of social insurance to become part of a comprehensive health service." The insurance fund would pay a subsidy towards the general cost of the medical service, but all medical advice and care would be given to everyone who wanted it without any charge at the moment of need and "without contribution conditions in any individual case." The comprehensive national medical service must "ensure that for every citizen there is available whatever medical treatment is required, in whatever form he requires it, domiciliary or institutional, general, special or consultant, and will ensure also the provision of dental, ophthalmic and surgical appliances, nursing and midwifery and rehabilitation after accidents"; and in addition there must be "rehabilitation and fitting for employment by treatment which will be both medical and post-medical." To all this the Government agreed. It will take years to build up the comprehensive medical and rehabilitation services to their full dimensions, even if there is no weakening of the Government's determination to press on, but it will be one of the greatest social advances of the twentieth century.

Nor will even this suffice. There will have to be a many-sided attack on chronic ill health, in which the Ministries of Health, Labour, and National

Insurance will each have a part to play. Among insured workers alone in February 1942, no less than 375,000 men and women of a total of 800,000 drawing N.H.I. sick pay had been on benefit for more than 6 months. These unfortunates, many of whom were needlessly permitted to degenerate into chronic invalids, were a heavy burden on the insurance fund, and their numbers were a matter for national shame. On the other hand, of 185,000 unemployed workers classified as unfit for normal employment in 1940, all but 18,000 had been placed in useful work by the end of 1943. The number of "unemployables" and of chronic invalids is always greater in years of bad employment than in good years. There are always men whom the community does not bother to set busy if the supply of jobs is limited; and there are always others who see no point in getting well for idleness, but who can be induced or shaken out of invalidity by the prospect of useful work. So, in this way as in many others, the efforts of the doctors to improve the nation's health and working capacity must be supported by a policy of full employment, not frustrated by a shortage of jobs.

### *INDUSTRIAL INJURY AND DISEASE*

A man may get a septic finger, or sprain his wrist, or crush his foot, or break his back, lose a hand or an arm while he is at work, or in the street, at home or on the playing field. Whatever the cause of his injury or the place where it occurs, his financial and medical needs will be identical. Two-thirds of accidental injuries occur outside workplaces. If ordinary sickness benefit is enough in these cases, should a man be given more when his injury arises "out of and in the course of employment"? Beveridge—and the Government agreed with him—said "Yes."

- (a) Because special provision for industrial injury has been made under the Workmen's Compensation Acts ever since 1897, and few people are now prepared to abandon it completely.
- (b) Because "a man disabled during the course of his employment has been disabled while working under orders."
- (c) Because it is important that men should come into industries, like mining, which are unusually dangerous. "They should be able to do so with the assurance of special provision against their risks. . . . If an occupation is specially hazardous it should carry special remuneration. . . . But to give danger money only in the form of higher wages . . . does not ensure that more money is available when alone it is needed, i.e. when the danger has resulted in accident."

But he did not think these arguments strong enough to justify any special provision for the great mass of relatively minor injuries from which men recover completely in a few days or weeks. He wanted to reserve the special industrial injury benefits for the really serious cases—workers still disabled after 13 weeks, about one-tenth of all cases. The Government felt there should be a higher payment for every case, however slight, but they drew a distinction between temporary and permanent injuries.

The Government entirely agreed with Beveridge that liability to compensate for industrial injury should be removed from the individual employer—unless he is guilty of negligence—and should be placed upon the public social insurance fund; and also that there should be no need for a man to resort to bargaining or litigation to secure his benefit any more than he has to when claiming unemployment or sickness benefit or a retirement pension. Though converting compensation into a social service and restricting it to the minority of injuries which have serious consequences, Beveridge proposed to retain many of the present methods of assessing and paying compensation, including the relation of compensation to previous earnings and the giving of lump sums to the dependants of men killed in accidents. The Coalition Industrial Injuries Bill abandons the traditional basis of Workmen's Compensation entirely, and treats the casualties of industry as far as possible exactly as though they were war casualties—civilians or soldiers with war injuries.

An *industrial injury benefit* of 40s. weekly, with 16s. for an adult dependant and 7s. 6d. for the first child, will be paid during incapacity for work caused by industrial injury or disease for up to 26 weeks. This will be replaced by an *industrial disablement pension*, also of 40s. if disablement is 100 per cent, either after 26 weeks or earlier, if it is clear that the disability is still substantial or likely to be permanent. Disablement will be assessed by much the same methods—possibly by the same medical boards—as are used for war service injury pensions, and the rate of pension will be based, not on lost earnings, but on the degree of loss of “physical or mental faculty,” or of “personableness” (i.e., disfigurement), as compared with a person of the same age and sex of normal physical and mental condition. If the present war injuries schedule of disablement is used, a man who loses both hands, or is blinded, or becomes totally deaf, or suffers very severe facial disfigurement will be treated as 100 per cent disabled; loss of the right hand—if the man is right-handed—counts as 60 per cent disablement; loss of the whole arm as 80 per cent.

Since an industrial pensioner will keep his pension even if he is earning (see page 66), no allowances for his dependants will be added to his pension except when he is unable to work. Full dependants' allowances will be given (a) if a pensioner is receiving “approved hospital treatment,” or (b) if he is deemed permanently incapable of work—excluding earnings of up to £1 a week—in spite of medical treatment and training. In the latter case he will also have an *unemployability supplement* of 20s., and allowances for dependants will be given even if he marries or becomes a father *after* the injury. (In other cases the allowances are reserved for dependants at the time of the accident, including a child born within 9 months). The pensioner may in addition have a *constant attendance allowance* of up to 20s., but only if his disablement is 100 per cent.

The pensioner who returns to work but later becomes temporarily ill or

unemployed will be entitled to full dependants' allowances *and* to sickness or unemployment benefit in addition to his pension. If he has requalified as an insured worker by actually paying 10 contributions since his injury (see page 60), sickness or unemployment benefit will be paid in full. The same applies to a pensioner who has not so requalified; provided his pension is 70 per cent *or less* (i.e., not more than 28s.). The pensioner with *more than* 70 per cent disablement who has not requalified for ordinary insurance benefits will have his sickness or unemployment benefits adjusted so as to bring his pension up to 52s., to which of course the full dependants' allowances will be added.

The effect of these provisions may be illustrated by the case of a man totally blinded at work who has a wife and two children. Workmen's Compensation would give him a maximum of 60s., the Beveridge scheme a maximum of 76s., continuing in either case only while he is incapable of work. Under the Industrial Injuries and Family Allowances Bills his total benefits in the first few weeks will come to 68s. 6d. While training for work his benefits will probably amount to 85s., and when he is actually earning wages he will also have his disablement pension of 40s. and an allowance of 5s. for his second child. If he later falls ill or loses his job, his total benefits will be at least 80s. 6d., and probably 92s. 6d. If he is permanently incapable of work, his benefits will be at least 88s. 6d., and possibly as much as 108s. 6d. if he also needs constant attendance.

Disablement of less than 20 per cent will be compensated by a lump sum *injury gratuity* (possibly paid by instalments) of up to £100. (At present the soldier who loses an ear without losing his hearing gets £40; he gets £75 for the loss of his right forefinger or of one great toe, and £10 for the loss of one joint of a small toe.)

In *fatal cases* most widows will receive the ordinary widow's benefit of 36s. for 13 weeks. After this, or in place of it if it is not paid, the widow will have a pension of 30s. if she is (a) over 50, or is under 50 but (b) is incapable of self-support, or (c) has the care of a child (a first child gets 7s. 6d.). In the latter case her pension will continue if she is over 50 when the child ceases to qualify for an allowance. All other widows will have pensions of 20s., and orphans 12s. each. But a widow who only married the deceased worker after his injury and a child born more than 9 months after the injury do not qualify for these benefits unless the man was receiving an unemployability allowance at the time of his death. In certain circumstances there will also be various temporary or permanent pensions for adult dependants other than widows, including widowers, parents, and "unmarried wives" having the care of children.

The worker (or his representative) will submit his claim for benefit to the local Insurance Officer, supported by a certificate from his doctor or hospital. He will receive sickness benefit until his claim is settled; the

first industrial injury payment will come after 10 days, according to the Solicitor-General (9.11.1944). If the Pensions Officer has doubts about the claim, or the worker disputes his decision, the case will be referred to a local appeal tribunal consisting of employers' and workers' representatives with an independent chairman with legal qualifications. Before he receives a pension the worker will be examined by a medical board; if he does not agree with their findings he can appeal to a tribunal consisting of two doctors and a chairman. On points of law there will be a final appeal to an Industrial Injuries' Commissioner (who may have deputies) appointed by the Crown.

The biggest change of all is the decision to treat workers as the soldiers of industry and compensate them for their injuries, not for their lost earning capacity, a change which Beveridge considers "admirable"—"I wish I had thought of it" (Commons, 8.11.1944). The two main reasons for this change are:

- (1) To give compensation for "average weekly earnings" over a period before the accident is hard on the man whose earnings were low at the time. To base it on what a man might have been earning but for trade depression, short time, unemployment or sickness would involve "a great element of guesswork" and would cause frequent grievances without being really fair. To base it on a hypothetical standard wage rate for the trade and the district would cause even greater difficulties. "Discussions with representatives of the employers and workmen have not disclosed any satisfactory solution of this problem."
- (2) When a man is only partially disabled, a fair assessment of compensation by reference to his earnings before and after the accident or to his supposed capacity to earn involves even more guesswork and headaches. When at present the amount of compensation has been settled, it is automatically reduced whenever a man's earnings increase. If they increase through his own efforts, he is deprived of a reward he deserves; if they increase because of a general raising of wages, he loses some or all of the benefit enjoyed by his fellow workers. In a great many ways—including the attractions of lump sums—the present system discourages men from doing their best to fit themselves for work, and it gives insurance agencies a motive for offering men so-called "light work" in order to cut or stop their compensation.

In future a man's industrial pension, once settled, will be his for life. If he can add to it by earning and improving his employability he will be that much better off. He will have every inducement to accept restorative medical treatment and retraining for work. Seven out of every eight single men receiving war pensions for 100 per cent disablement are said to be "capable of substantial earnings," even if they are blind or mutilated; it is expected therefore that a great many 100 per cent industrial

pensioners will be able to supplement their benefits by wages, or, if they happen to fall out of work but are not unemployable, by "some provision"—not yet announced—from unemployment insurance (Peake, 9.11.1944).

How is the money for industrial injury benefits to be raised? Should employers pay the whole cost as at present? Beveridge and the Government agreed that this is no longer defensible, and that benefits should be financed by ordinary three-party contributory insurance. The Government wanted to raise the whole cost in this way; but Beveridge thought that contributory insurance should not cover the whole of the *extra* volume of accidents occurring in dangerous trades over and above the "normal" volume of accidents arising in industry as a whole. In dangerous trades such as mining, railways, docks, ships and building work, he wanted a large part of the excess cost of injury benefits over the "normal" industrial average to be met by a special levy on the employers concerned. In each of these industries employers and workers would have to set up joint machinery for promoting safety measures, providing for rehabilitation and re-employment of injured workers, and establishing schemes to supplement the State's injury benefits; and this special machinery, or possibly the employers' section of it, would also collect the special employers' levy. Thus, in coal-mining, employers and workers would each pay £200,000 a year in insurance contributions. In addition, the mining companies would have to raise a special levy of £2,700,000, and the "statutory association" for mining would itself decide the quota to be paid by each individual company according to some system of "merit-rating" which would charge firms with bad accident records more than firms with good records. This (Beveridge hoped) would give every firm an incentive to prevent accidents in order to reduce the charge it would have to meet.

The Government agreed that joint machinery to promote industrial safety is important and "would welcome" increasing employer-worker collaboration in all dangerous trades. They also propose to establish a joint body of employers' and workers' representatives to advise the Ministry on "important questions of policy and administration." But they rejected the special levy on employers. It involves a departure from the principle that all industries should "stand in" together and pool their risks in compulsory insurance, and therefore needs "strong grounds to justify it, particularly as the special levy would fall most heavily on certain important industries which have to meet foreign competition." Beveridge argued that "it is as just and socially desirable that part of the risk of industrial accident and disease should be borne separately by the employers in each industry, on the ground that part is within their control, as it is that part of the risk should be pooled, on the ground that some accidents are inevitable." The Government replied that, if this argument is accepted in the case of employers, it should be accepted in the case of workers too. If employers are to be merit-rated, workers should also be merit-rated, because avoidance of accidents depends as much on the behaviour of workers as on the measures taken by employers. But, says the White Paper, "hazardous

industries are not hazardous because the employers in them are less active in the prevention of accidents than other employers, or because the workmen in those industries are less careful than other workmen. They are hazardous because of the nature of the employment and the inherent risk." The White Paper admits that merit-rating of employers according to risks in individual undertakings might have some effect, "if it were possible to introduce it on an extensive scale." But the inducement to employers to do more to prevent accidents could only be small, because the entire charge for injury compensation is bound to remain "a comparatively small item in relation to wages and other costs of production." (Even in coal-mining the Beveridge levy would be only 2 per cent of the total cost of producing coal). Also, conditions in different works vary widely, "due largely to causes outside the employer's control," so that no merit-rating system "could be operated on an equitable basis." Its complications and expense "would be out of all proportion to the results likely to be achieved."

### WIVES AND MOTHERS

In their provision for wives and mothers the Government followed the Beveridge plan with only minor changes. The woman who gives up gainful occupation on or after marriage passes out of compulsory insurance, but she has the option of continuing as a voluntary contributor in Class IV, provided she maintains a yearly average of 45 contributions paid or excused.\* The purpose of this option is to give the married woman a chance to qualify for a retirement pension of 20s. in her own right, instead of having a 15s. share of the 35s. joint pension by virtue of her husband's insurance. There would be a strong case for doing this, says the White Paper, "where, for example, a woman married a man who had recently come from abroad and could not build up sufficient contributions to enable him to qualify for more than a small pension." But to qualify for pension in her own right, the married woman's total number of contributions paid or excused in any Class since her marriage must come to "not less than one half of the number of weeks since marriage." If she has no gainful occupation, the married woman's other benefits will depend on her husband's insurance record. They are :

- (1) *Joint benefit of 40s. for man and wife during the husband's unemployment or sickness (35s. invalidity benefit).*
- (2) *On the birth of a child, a maternity grant of £4, and an attendant's allowance of 20s. for 4 weeks "to assist in providing domestic help immediately after childbirth." (Qualifications: 26 contributions actually paid at some time by husband or wife, and at least 26 paid or excused in the previous year).*
- (3) *Widowhood benefits and joint retirement pension.*

\*This option will not be open to women already married when the scheme begins, unless they are personally insured under the existing scheme or enter into gainful occupation for a "substantial period" after the new scheme comes into force.

Before the war only one married woman in eight was gainfully occupied, working either for an employer or in business on her own. The wife with a job normally has a different attitude to work than a single woman—unless she is separated from her husband. She has the same risk of maternity, widowhood and old age as the housewife, and the additional risk of having her own earnings interrupted by maternity, illness or unemployment. But usually her earnings supplement those of her husband and are not the family's main source of income; usually her husband provides the home and pays the rent. She is much more likely than a single woman to give up her job if there is a clash between the claims of home and work. Many married women who lose their jobs may have no real intention of ever returning to gainful employment, so that it is often difficult to decide whether they are still really in the employment market and therefore entitled to sickness or unemployment benefit.

In future married women earning not more than 20s. a week will be treated like housewives: they will be excluded from insurance in Classes I and II (though, if they work for employers, the employers' contribution will be payable).<sup>\*</sup> Wives who earn more than 20s. will be free to insure in their own right in Class I or Class II or to be exempt and rely on their husbands' insurance; if they choose exemption, they can still contribute voluntarily in Class IV.<sup>†</sup> Maternity grant and benefits in widowhood and retirement will be available to all gainfully occupied wives as to all housewives. If the wife with a job is exempt or excluded from Class I or Class II insurance, her husband will have the full joint rate of benefit during his own unemployment or sickness, provided her earnings do not exceed 20s. a week. Whether she chooses insurance in her own right or exemption, the wife who is not excluded from Classes I and II because of her low earnings will receive—not the 4 weeks' attendant's allowance after childbirth—but a maternity benefit of 36s. for 13 weeks "covering a period before and after confinement." This will be paid provided the woman gives up her work for the period, and provided she has had at least 26 weeks of gainful occupation in the 12 months preceding her claim for benefit. The wife who chooses Class I or Class II insurance will qualify for benefits during her own sickness (both Classes) or unemployment (Class I), but at less than the standard rates.<sup>‡</sup> Beveridge suggested a rate of 16s. for both benefits, because "subsistence benefit for housewives who are also gainfully occupied need not cover their rent." The White Paper retains this figure for both sickness and invalidity benefits,

<sup>\*</sup>Widows receiving guardian's benefit or widow's pension are treated as members of Class IV, but excused contributions; if they work they too will be able to choose whether or not to be insured in Classes I or II.

<sup>†</sup>As at present, the wife employed by her husband will also be excluded from insurance, and so will the wife associated in business with her husband, whether as partner or as employer.

<sup>‡</sup>The full rates will be paid if the wife is living apart from her husband and is not able to obtain maintenance from him.

but proposes 20s. for unemployment benefit, presumably because the married woman's rate had already reached 18s. in 1940.

What will be the position of unmarried mothers and of women who are in fact housewives without being married, including the "unmarried wife" and the spinster who keeps house for an unmarried brother, father or other relative? Benefits for these women will depend on their own insurance. If they are gainfully occupied they will be insured in Classes I or II (though allowed exemption from Class II if their yearly income falls below £75); if they are not, they will be compelled to contribute in Class IV (with the same optional exemption for low income). This gives them all a chance to qualify for the motherhood and retirement benefits in their own right; and, if they are dependent, the men who maintain them will normally receive dependant's allowance during their own sickness or unemployment. But these women will not be covered for "widowhood," unless (in the case of mothers) the men who maintain them die from *industrial* injuries or disease. In other cases, though the unmarried mother qualifies for dependant's allowance during her man's unemployment or ill health, she will not qualify for guardian's benefit when he dies. The elderly spinster keeping house for a male relative cannot qualify for a widow's pension when he dies, though if he has kept up her Class IV contributions she has the chance of a retirement pension at 60.

### DEATH EXPENSES

When a man or woman over 18 dies, a death grant of £20 will be paid. The grant will be £6 for a child under 3, £10 for a child aged 3 to 6, and £15 for a child aged 6 to 18. The contributory qualifications for death grants "will be limited to those needed to establish that the deceased was in current insurance or was the wife or child of an insured person, or was a pensioner." There will be no grant for a child born before the scheme begins who dies below the age of 10, nor for people over 65 when the scheme comes into force; people between 55 and 65 when the scheme begins will be eligible only for a reduced grant of £10. Beveridge, who suggested much the same provision, stated that these sums "are about twice as much as the costs actually incurred by Local Authorities today in providing, not 'pauper funerals,' but funerals as far as possible indistinguishable from those which relatives of the dead might provide."

The introduction of death grants is a very simple and very necessary reform. But it will have far-reaching consequences for the private business of industrial life assurance, a business which Beveridge—who is no Socialist—found so unsatisfactory that he wanted to nationalise it. Industrial assurance is a specially regulated branch of life assurance, catering chiefly for weekly earners, in which agents collect the premiums on the doorstep at intervals of less than two months. The business is conducted by 14 companies and 146 collecting societies, but the 15

leading offices handle 98 per cent of the whole business. There are two main types of industrial assurance policies: (1) endowment policies providing money after a specified number of years or at earlier death, and (2) policies which yield money only on the death of the assured. Endowment assurance, which combines provision for retirement with provision for dependants in case of early death, is becoming increasingly popular, but the policies for death expenses only—and the worker's need to insure for such expenses—remain the backbone of the business. Death expenses are of two kinds: (a) the cost of the funeral itself, which is only paid once and usually by one person only, and (b) associated or indirect expenses or losses which may be expected by relatives of the person who dies. When a death expenses policy is on the life of the proposer or of a spouse, there is no legal limit on the amount which may be assured in either industrial or ordinary life assurance, and no distinction is drawn between direct funeral expenses and other expenses connected with the death.

Parliament refuses to allow people the same freedom to take out policies on the lives of relatives other than husbands and wives, in order to prevent gambling and speculation on other people's deaths. Ever since 1774 it has been illegal in ordinary life assurance for a person to take out a "life of another" policy unless the insurer has a direct *bona fide* "pecuniary interest" in the person whose life is assured, and the amount insured must not be more than the "pecuniary interest." But in industrial assurance it has been lawful since 1909, without proof of any direct "pecuniary interest," to insure up to certain limits "money to be paid for the funeral expenses of a parent, child, grandparent, grandchild, brother or sister." These policies are legal only if they are for "funeral expenses"; Parliament deliberately forbade "life of another" policies for "expenses in connection with the death or funeral of the assured."

But the companies and collecting societies issue policies and pay on them, says Beveridge, "without making any attempt to ensure that the persons receiving the money will have any funeral expenses to meet." Many different people can take out policies on the same person's life; since these policies are transferable, all the policies on one life may ultimately accumulate in one person's hands. When the death occurs all the money may go to one relative while the cost of the funeral falls on another relative who may not be insured at all; the insurance money may be spent on something quite different. The total amount paid on policies may be so great that "there is no choice between extraordinary spending and making a profit out of insurance on life-of-another, that is to say, turning insurance into gambling." *In practice, no distinction is made between legal insurance for "funeral expenses" and illegal insurance for "expenses in connection with the death or funeral"*—especially since there is no need to get the consent of the relative whose life is to be assured in an industrial policy. In 1909 about 10,000,000 of the total of 35,000,000

policies were of the illegal variety, and a "whitewashing" Act was passed to make them legal retrospectively, while forbidding them in future. But the life offices have continued to ignore Parliament's distinction between the two types of expenses because it would be troublesome for them to observe it. The life offices (concluded Beveridge) "have now been left unchallenged for more than 30 years."

### A BAD BARGAIN

Industrial assurance also gives very bad value for money. How bad a bargain it is is a matter on which Beveridge and the life offices could hardly be expected to agree. Beveridge says that almost 7s. 6d. in every £1 of premiums never returns to the "consumer," but goes on expenses of collection, profits or taxation, which together absorb about 37 per cent of all premium income. The offices dispute Beveridge's method of calculation (*Industrial Assurance Explained*, 1944). Their own calculations—which Beveridge in turn rejects as misleading (*Times*, 12.1.1944)—suggest nevertheless a "cost ratio" of between 6s. and 6s. 6d. in the £1 premiums, and of about 5s. in the case of the Prudential, the most efficient company. Whatever the truth of the matter, Beveridge argues that a death grant provided through social insurance could not cost more than 6d. in the £1 of contributions for administration expenses, and that this alone justifies relieving "the public who need insurance for direct funeral expenses" of "the heavy tax involved in industrial assurance." And it cannot be contested that before the war hundreds of thousands of families whose incomes were so low that they were condemned to severe malnutrition were somehow induced to spend 1s. 6d., 2s. or even more weekly on premiums that would spare them the shame of a "pauper's funeral," and that an inordinate proportion of their payments went on costs of collection and other charges. This huge expense was not due to the fact that the insurance agents were making a fortune out of the business. The great majority of agents are honest, hard-working and by no means well-to-do. But so long as people buy insurance on the door-step, an entire army of collectors and agents has to be provided, and they have to earn their bread and butter out of the workers' sixpences. This army numbered no less than 101,000 men and women before the war, of whom 86,000 were "outdoor staff"—about one agent for every one-hundred working-class families. Far more business was handled by a total staff of 70,000 in all other forms of private insurance (ordinary life, fire, burglary, accidents, marine, etc.). After 2½ years of war the latter staff had been cut to 54,000 to release men and women for the war effort, but the industrial assurance army had been reduced only to 95,000.\*

\*By June, 1942, 35,000 men and 1,000 women had been released for national service and replaced by 30,000 extra women; another 6,500 men and 6,000 women were waiting to be called up. (*Report from Committee on Man-Power in Banking and Allied Businesses, in Ordinary Insurance and in Industrial Assurance*, 1942).

Even for door-to-door collecting the army of agents is larger than it need be, because there is intense competition for business between the different offices. Competition turns agents into pushers of unwanted policies, and their selling efforts are reinforced by high-pressure canvassers who specialise in creating "new business." "Even if the agent gains nothing by writing new business which does not stick," says Beveridge, "he loses if he does not get new business in one way or another, for that is what he is appointed to do." As a result of this pressure on the "consumer," the British people were persuaded, cajoled or frightened into spending over £74,000,000 on industrial assurance in 1939—over five times what they paid in health insurance contributions—and they held the stupendous total of 103,000,000 policies—more than  $2\frac{1}{2}$  policies for every man, woman and child in the country! The worst feature of this overselling of insurance is that people agree to buy policies they cannot afford to keep up and lose heavily by letting them lapse. Just before the war, Beveridge estimates, "about 10 million policies on an average were issued each year, and about  $6\frac{1}{2}$  million policies were ended prematurely each year. Of these  $\frac{2}{3}$  of a million were policies not taken up; about  $3\frac{1}{2}$  million represented outright forfeitures after the policy had been taken up and premiums paid upon it; and about  $2\frac{1}{2}$  million were converted into free policies for reduced sums or surrendered for cash. . . . It is argued on behalf of the industrial offices that life assurance is a form of instalment buying and that some failures to maintain instalments are inevitable incidents of such a business, particularly in a society subject to unemployment. This is true. The question remains whether it is socially desirable that instalment business in the form of life assurance should be pushed to an extent producing failure to complete the purchase in two-thirds of the cases and outright forfeiture after some payments have been made in half of this two-thirds."

### *A STATE LIFE INSURANCE SERVICE?*

The frittering away of poor people's savings by the lapsing of the majority of policies and the high "cost ratio" of the business are difficulties inherent in the system itself. In 1889, Beveridge calculates, the "cost ratio" was just over 45 per cent; today it is just over 37 per cent. "This is a fall in 50 years from a charge of about 9s. in the £ of premium to nearly 7s. 6d. in the £, while the number of £s on which the charge falls has been multiplied more than twelve times." Surveying 80 years of unsuccessful endeavours to reform the business from within, he concluded that it would not suffice merely to introduce a State death grant; in addition he felt that the State should take over the entire business of small life insurance and run it as a rationalised public service available to all who want to take out policies. The Coalition agreed only to provide death grants; but even if industrial assurance is left in private hands, it cannot

be left unreformed. For if the State deprives the life offices of the function of insuring poor people for direct funeral expenses (providing, indeed, a grant twice as great as the necessary cost of a decent funeral), there remains no justification whatever for permitting any life-of-another policies covering "expenses in connexion with the death or funeral of the assured" unless a direct "pecuniary interest" can be proved. The least that will have to be done is to abolish all exceptions to the law of 1774 and to find effective means of stopping the flow of illegal policies in the future. (Obviously, if the State ran the business, this would be much easier.) This is presumably what the Government had in mind in promising to "review such questions as insurance for indirect expenses connected with funerals," which have been "reserved for separate examination."

If no more than this is done, the industrial life offices will have to make good the business they will lose on direct funeral-expenses insurance by selling more small endowment and whole-life policies and *legal* life-of-another policies. But they will lose one of their most valuable opportunities for winning new business, since the Government have also decided to forbid industrial assurance offices to have any part in the administration of sickness and invalidity benefits, a decision which will close millions of doors which insurance agents are now able to enter on the State's affairs. Many agents and collectors—especially those who have bought their own "books"—may be hard pressed to make a living in the new circumstances. They will be competing for a smaller volume of new business; the "cost ratio" of industrial assurance is not likely to be substantially reduced, nor the pressure on the public to buy policies, nor the volume of policies lapsing every year. The Government, nevertheless, intended apparently to leave the agents to fend for themselves, even if they are worse off and the public no better served. Beveridge, while recognising the possibility of such a course, felt that it would "not yield as good results to the public" and would make "more difficult the problem of doing justice to the existing staff" than the alternative of converting the whole of industrial assurance into a State-run public service.

He therefore wanted to create a "statutory corporation," the Industrial Assurance Board, which would have a monopoly of the use of insurance collectors, and "would be authorised to undertake life assurance, whether through collectors or otherwise, up to a low maximum sum assured, say £300. It would take over all the existing policies and honour them, safeguarding the rights of every policy-holder. It would compensate the shareholders. It would employ or compensate the staff. . . . The Board would work steadily to substitute direct payment of premiums for collection, to encourage socially desirable forms of insurance and thrift, to provide ways of insurance free from serious risk of lapsing. . . . It would not be a Government department but a public service run on

business lines." The Board would "reduce the staff required for collection as rapidly as this could be done without hardship, and would at the same time place the staff at the disposal of the Minister of Social Security for other work in the field of social insurance." Beveridge put this proposal in brackets in his report, because it was not essential to the whole of the rest of his plan, though he considered it "the best solution in the interests, alike of the public and of the staff," and the solution which "will probably in the end present fewer and less intractable difficulties." Today he regrets that he left the Government the option of rejecting the nationalisation of industrial assurance, and is now inclined to omit the brackets in his report (speech at Royal Statistical Society, 12.10.1943).

The Government's sole reply to all this was the announcement that "with the other proposals of the Report they have quite enough on hand" (Anderson, 16.2.1943).

## MACHINERY

### *THE MINISTRY OF NATIONAL INSURANCE*

Beveridge wanted "unification of administrative responsibility" for all social insurance and assistance payments, in order to make possible "immensely improved efficiency, in the sense of greater satisfaction to insured persons as consumers of social insurance." In a unified organisation there could be no passing of the buck from one authority to another in doubtful cases; in one way or another the same organisation would have to deal with every case of distress. The Government agreed to unified organisation of the *insurance* services, but said that they still reserved the question "whether the organisation should be a new Ministry or an administrative Board." They agreed also to unified, but separate, organisation of *assistance* on a national basis. Whatever the final form of the machinery, the Government were, however, "satisfied that the most effective and quickest way to bring the scheme as a whole into final legislative form, and to secure its smooth running during the difficult transitional period, will be to appoint at this stage a Minister of Social Insurance. . . . When the scheme is in operation, and administrative policy clearly defined . . . it may well be found that some other form of administrative organisation is more suitable." And so the Ministry of Social Security, which could not be set up in February 1943, was established in November 1944, strangely re-named "Ministry of National Insurance."

The Ministry, which is to have its own local offices, will directly control all the insurance services and also children's allowances; but it will not take over the administration of war pensions from the now redundant Ministry of Pensions, as Beveridge thought it might. The Assistance Board will be made responsible for all cash assistance conditional on proof of need,

relieving local authorities of all their Poor Law duties except those which may be left to them in relation to institutions (infirmaries, old people's homes, orphanages, casual wards, etc.). Presumably, in Beveridge's words, "the Poor Law code will, it is proposed, be abolished," and this will wind up half a millenium of English social history. The Assistance Board itself is now answerable to the Minister of National Insurance, who will thus have final responsibility for assistance policy as well as for insurance. But, in order to preserve the distinction between them, insurance and assistance are to be separately administered, since "the Government doubt whether, if both are dealt with by the same staff, the distinction would be sufficiently preserved."

What methods and spirit should the new Ministry apply in its work? Beveridge proposed:

- (1) That the Ministry should have a Division of Statistics and Intelligence, "under first-rate leadership and with adequate resources," to conduct "research in all matters where further knowledge might reduce the burdens on the Fund."
- (2) That the Ministry must attach "outstanding importance" in the future to "selection and training of staff with special regard to their functions in serving the public and in understanding the human problems with which they will be concerned."
- (3) That each local office of the Ministry should have an "Advice Bureau to which every person in doubt or difficulty can be referred and which will be able to tell him, not only about the official provision for social security, but about all the other organs—official, semi-official and voluntary, central or local—which may be able to help him in his difficulty."

The White Paper does not discuss these matters.

### ONE APPROVED SOCIETY—THE NATION

Administration of the State's sick pay will not be farmed out to approved societies of any description. The Ministry itself is to be the nation's sole "approved society" and will handle sickness benefit through its own offices, just as it will handle pensions, children's allowances, industrial injury payments and death grants. In its present form, argued Beveridge, the approved society system is in "irreconcilable conflict" with the principle of a national minimum and pays differing benefits for identical contributions. Supposing the system were continued, with higher benefits and contributions, and every society were obliged to give the same benefits in return for the same contributions? Many "good risk" societies would accumulate much larger surpluses of *State* funds than they have today. What would they use their surpluses for? All that the societies could suggest to the Beveridge Committee was that they should be spent on new privileges, at the State's expense, for one fortunate section

of the insured population—additional money for maternity, "waiting time," special needs, treatment of rheumatism, surgical appliances, convalescent homes and nursing. "Why," retorted Beveridge, "should treatment for rheumatism, why should surgical appliances, convalescent homes and nurses be reserved for those classes of the community which are already the most healthy, and denied to others, by the results of a valuation surplus? Why, if adequate maternity grants are made, should they be given selectively?" But if all citizens are to have the same services for the same State contributions, as they should, approved societies under the present set-up would no longer have any clear incentive to handle the State's money carefully. A society could no longer offer a higher State benefit for the same contribution as an inducement to prospective members; it would be constantly tempted to distribute the State's money without due care in order to attract members by its "generosity." For this reason, and because of the other difficulties mentioned on page 28, the approved society system has to go.

Beveridge thought, however, that there might still be room, on a different footing, for using some of the genuine friendly societies as agents of the State. The arrangement was not essential to his plan, and was to be optional for the societies. But since several million citizens voluntarily contribute to friendly societies to get sick pay additional to the State benefits, he thought they would find it convenient to go on receiving their voluntary and State benefits together through their own societies. The new agency arrangement was only to be open to genuine friendly societies and trade unions which are "effectively self-governing" and not run for profit or associated with any body working for profit. And no society could be "approved" unless it also had "an efficient system for sick visiting its members wherever they might be," and unless it was prepared to add to the State benefits "a substantial disability benefit from its own resources, i.e. from the *voluntary* contributions of its members," which would give it a strong reason for handling State money responsibly. These conditions rule out the industrial assurance companies and collecting societies, which "cannot by any stretch of the imagination be described as under the absolute control of their members" and are "in effect governed by the profit motive either of the offices with which they are associated or of their agents." They associate their work on behalf of the State, "not with the payment of voluntary sickness benefits, but with industrial assurance. . . . The Industrial Life Offices, so far from having any motive for careful administration of disability benefit, would have a direct economic motive to be liberal with the money of the Social Insurance Fund in order to obtain or retain customers for industrial assurance."

According to the White Paper, societies which could hope to satisfy Beveridge's conditions are unlikely to include more than one-quarter—or at most one-third—of the insured population. Moreover, "few

Societies give substantial sickness benefits on the private side for more than a limited period of sickness," whereas the State's benefit is to continue for 3 years at the full rate and then indefinitely at the pension rate. Also, "it is difficult to see how a Society with a scattered membership could maintain personal contact with its members." After hearing deputations from almost all groups of approved societies, none of which showed any good reason why Beveridge's conditions should not be enforced, the Government decided to make no exceptions, even where those conditions could be completely fulfilled. Agency arrangements are to be entirely abolished, since in any case the Ministry would have to administer sickness benefits for the great majority of people through its own offices.

## THE COST

### IF UNEMPLOYMENT RETURNS

There is relatively little doubt about the future cost of pensions, children's allowances, death grants or sick pay; the biggest unknown factor is the future cost of unemployment. No social insurance service will work satisfactorily if there is mass unemployment. Mass unemployment makes training schemes futile, increases the cost of benefits, and reduces the size of the national income from which the cost of benefits must be met. Whether unemployment will return after the war will depend more than anything else on Government policy. Yet no Government can guarantee that in future unemployment will be abolished for all time. So what is it best to assume about unemployment when framing a social insurance scheme? Some assumption must be made, because the contributions to be paid will be determined by the total volume of unemployment benefits allowed for. Beveridge and the Government both allow for an average of just over 1,500,000 workers unemployed over good years and bad—about two-thirds of the pre-war average. Beveridge also assumed that it would be "a rare thing" for any particular individual to be continuously out of work for more than 26 weeks; the Government, apparently, assumed that 4 people out of 5 would be back at work (or training for work) within 30 weeks. Though making such assumptions for the sake of prudence, Beveridge is convinced that there need never be more than 3 workers in every 100 unemployed at any one time, and that they need only be unemployed because they are in the wrong trades or places, not because there are no jobs to be had. This would represent, on average, "a shifting body of short-term unemployed" of about half a million "who could be maintained without hardship by unemployment insurance." In fact, "3 per cent appears as a conservative, rather than unduly hopeful, aim to set for the average unemployment rate" in conditions of full employment (*Full Employment in a Free Society*, 1944). If there had been

only 3 per cent of unemployment in 1938, the wealth added to the national income—£500,000,000 at pre-war prices—would itself have paid the whole cost of the Beveridge plan. The Coalition White Paper on employment policy, which avoids using the words “full employment,” is much less precise and confident in its language and ideas.

### *A DAY'S WORK ONCE IN TEN WEEKS*

The tables on page 80 give the essential details of the Government and the Beveridge budgets for the first and twentieth years (1945 and 1965 are, of course, notional dates). All budgets assume  $8\frac{1}{2}$  per cent unemployment among Class I workers. An unemployment rate of 3 per cent would save the Government scheme £70,000,000 on unemployment pay in 1945 and the Beveridge scheme £78,000,000. As they stand the budgets are not strictly comparable, because the cost of living will be higher than Beveridge assumed. The Beveridge cash payments need to be increased by 15 per cent to make them comparable with the Government's. With this adjustment, the Government plan in 1945 is about 37 per cent less generous to the unemployed and about 16 per cent less generous to the sick and injured than Beveridge wanted to be. The children's allowances are 46 per cent smaller, but this is compensated by a trebling of Beveridge's expenditure on children's food services. For pensions the Government provide about 12 per cent more than Beveridge in 1945, but about 16 per cent less by 1965.

Excluding the children's food services, which are left out of the Government's detailed budgets, the Government plan will affect public expenditure on social security and medical services in two ways :\*

- (1) *In 1945* it requires an *immediate* jump in public spending of £240,000,000, including £170,000,000 more for cash benefits and £70,000,000 for medical services.
- (2) *Between 1945 and 1965* it requires a further increase in annual expenditure up to an additional £145,000,000 a year by 1965—on average just over an *extra* £7,000,000 every year.

The big jump in benefit payments in 1945 results from three changes : about £65,000,000 will be spent on benefits not provided by the present services (chiefly children's allowances) and about £135,000,000 more on raising existing benefits (especially sick pay and pensions), and there will be a saving of some £30,000,000 on assistance. The further steady increase after 1945 is almost entirely caused by the growing cost of pensions, which will require £110,000,000 more in 1965 than in 1945, and this in turn is mainly the result of the inevitable increase in the number of old people. Expansion of expenditure on medical services up to £170,000,000 should be completed by 1955.

\*In the following discussion the financial figures are rounded off, usually to the nearest £5,000,000. The estimates cannot hope to be more precise.

# ANNUAL EXPENDITURE ON CASH PAYMENTS, MEDICAL CARE AND FOOD FOR CHILDREN

	Budgets for 1945 (£ millions)			Budgets for 1965 (£ millions)	
	Existing Services	Govt. Plan	Bever- idge Plan	Govt. Plan	Bever- idge Plan
<i>Summary</i>					
I. Payments to the Unem- ployed . . . . .	87	109	121	106	117
II. All other Cash Payments .	241	391	382	518	548
Total Cash Benefits.	328	500	503	624	665
III. Public Medical Services .	80	148	148	170	170
Total Cash and Medical Benefits . . . . .	408	648	651	794	835
IV. Children's Food Services		76	26		
Total Provision . . . . .		724	677		
<i>Analysis of Cash Payments :—</i>					
I. To the Unemployed . . . . .	87	109	121	106	117
A. Insurance benefit . . . .	64	87	120	85	116
B. Assistance . . . . .	23	22	1	21	1
II. To Other Persons . . . . .	241	391	382	518	548
A. Pensioners' benefits . . .	120	203	158	312	324
B. Children's allowances . .	4	57	92	54	84
C. Sickness and Injury bene- fits . . . . .	42	75	77	88	90
D. Marriage, Maternity and Death . . . . .	3	13	12	19	21
Total Benefits without Proof of Need . . . . .	169	348	339	473	519
E. Assistance for Pensioners .	57	37	39	39	25
F. Assistance to Others . . . .	15	6	4	6	4
Total Assistance . . . . .	72	43	43	45	29

*Notes:—*(1) Children's allowances (item II.B) do not include first children whose parents are on benefit. The Government budgets include their allowances with their parents' benefit (the unemployed, the sick, the injured, the widowed—items I.A., II.A., and II.C), and Beveridge's budgets have been adjusted accordingly. (2) Pensions (II.A) : for further details see page 55. (3) Medical services (III) : the full cost, according to the Government, will be £170,000,000 a year, but the services will not be completed in "1945," so the Government reduce the initial estimate to £148,000,000. (4) The cash payments budgets (I and II) do not include expenses of administration, which come to about £24,000,000 a year under either scheme.

The community can perfectly well "afford" the services it already has. Can it also afford to make the "1945 jump" and to add an extra £7,000,000 or so each year thereafter to the total of public expenditure?

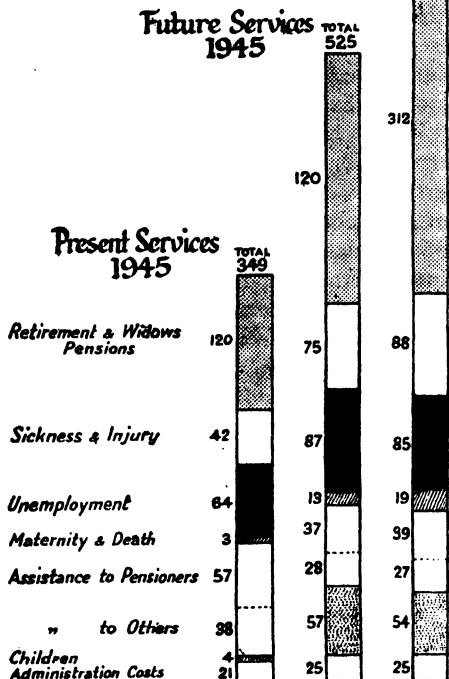
(1) *The 1945 Jump*. How large will the national income be in "1945"? Will the war impoverish Britain? In spite of the last war and all the economic blunders committed after it, Bowley and Stamp estimate that in 1924 Britain was producing as much material wealth as in 1911, although working hours were shorter and unemployment greater. This time our economic war effort is much better organised and we are not likely to fall into *worse* economic errors after this war than after 1918; we may very well do far better. The gloomiest view that is at all reasonable is that Britain will produce no smaller volume of real goods and services in "1945"—i.e., the first few years after the war—than in 1938. If we assume that the real national income in "1945" is no higher at all than in 1938, and that prices are, as Anderson said (page 44), 50 per cent higher, then the national income of "1945" will certainly not be less than £6,930,000,000. The existing services, costing about £410,000,000 will thus earmark about 6 per cent of the national income for social security and public medical services, and the 1945 jump will increase the proportion to about  $9\frac{1}{2}$  per cent—an extra  $3\frac{1}{2}$  per cent. In other words the community is being asked to set aside approximately *an additional one-thirtieth* of all the goods and services it produces in 1945 for the old, the sick, the workless and the children—roughly all the goods and services produced by half a day's work once every three weeks all through the year. This price could be paid in one of three ways: (a) No one need do any extra work, but the working members of the community as a whole would have their standard of living reduced by one-thirtieth, so that more goods and services could be diverted to the children and those unable to work. Or (b) everyone could put in an extra half day's work once in three weeks and thus avoid any cut of their living standards. Or (c), since the Government plan assumes 1,500,000 unemployed, a million idle workers could be set to work, thus producing more than twice the extra output needed to meet the extra cost of the scheme.

But these calculations exaggerate the real extra cost. The increase in *public* expenditure (*compulsory* thrift) for social security and medical services will certainly bring about a reduction of *private* spending (*voluntary* thrift). Thus it is planned to spend an additional £90,000,000 of public money on doctors, nurses, dentists and others, so that people need have no bills to meet when they are ill, and to pay death grants which should cover the whole cost of funerals in most cases. Obviously people are going to reduce their private spending on medical care and funerals in the circumstances. If the total of private spending on all social security and medical needs falls by no more than one-quarter, this would suffice to reduce the *net additional* claim of the Government plan on the nation's

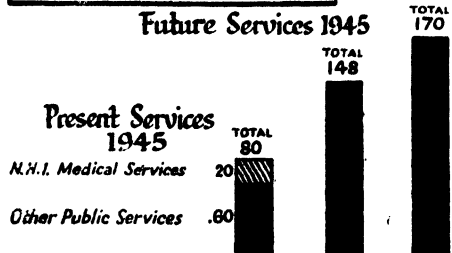
## Present & Future Social Security Budgets.

£ millions

### The CASH BENEFITS BUDGET



### The MEDICAL SERVICES BUDGET



real wealth from  $3\frac{1}{2}$  per cent to  $2\frac{1}{2}$  per cent. Private spending may well fall more than this, so that the real extra cost of the plan may not be more than 2 per cent—a day's work once every ten weeks. An increase of this magnitude presents no difficulty.

(2) *The Rise to 1965 and After.* Nor is there any difficulty in finding an additional £7,000,000 or more each year after "1945"—an addition of slightly more than 1 per cent each year on the 1945 budget. If the real income of the British people after "1945" increases at an average rate of  $1\frac{1}{4}$  per cent per year, the rising money cost of social security will not involve any rise in the real cost, since it will not require a larger share of the national income than in 1945. Will the national income increase by at least  $1\frac{1}{4}$  per cent a year? It is very difficult to believe that the increase will not in fact be somewhat greater. In the 19th century Britain's real income per worker increased by about  $1\frac{3}{8}$  per cent a year on average. Between 1914 and 1924, despite war and post-war unemployment, productivity per man-hour (not quite the same thing) increased by about 1 per cent per year; from 1924 to 1938 the increase of productivity was about  $1\frac{1}{4}$  per cent per

year (N. Kaldor, in Beveridge's *Full Employment in a Free Society*). Oliver Lyttelton, Minister of Production, impressed by war-time achievements, hopes that after the war it will be possible "to double or treble the pre-war rate of progress" in raising industrial productivity (10.4.1943). Even if he is much too optimistic, there is no reason to suppose that the British people, who were able to win the biggest war in history by good organisation and productive efficiency, will hereafter not be able to keep up even the pace of economic advance of their fathers and grandfathers. To believe this is, as Beveridge says "defeatism without reason and against reason."

### SHARING THE COST

Including expenses of administration, the new services will require £670,000,000 in 1945 from personal insurance contributions, employers' contributions, and national and local taxes. The total income to finance

## How will the cost be shared?

£ millions

### Future Services 1965

### CASH BENEFITS & MEDICAL SERVICES

### Future Services 1945

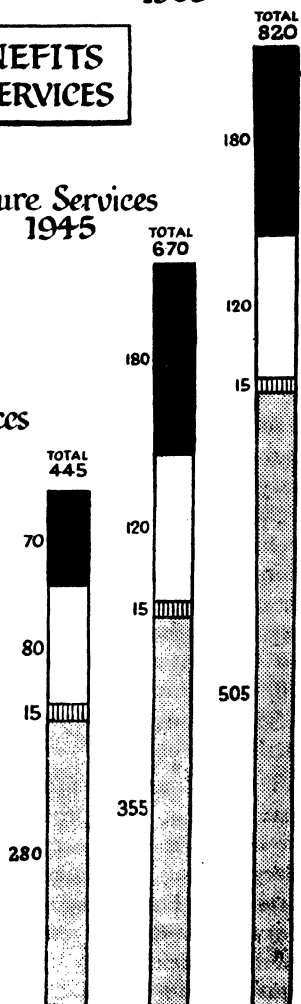
### Present Services 1945

From Personal Insurance Contributions

From Employers' Contributions

From Interest on Insurance Funds

From State and Local Authorities



(All figures rounded off to the nearest £5,000,000)

the present services will amount to £445,000,000—in present circumstances contributions bring in more money than is actually needed to meet the cost of the services. The 1945 jump means that, between them, individual contributors, employers and public authorities will have to provide an extra £225,000,000. Individual contributions will pay almost half this increase; they will jump from £70,000,000 to £180,000,000 a year. Employers will pay £120,000,000 instead of £80,000,000. The balance of the increase to be made up by the State—i.e. central and local authorities—will be £75,000,000; the total charge on taxpayers and ratepayers (all of whom are also contributors) will jump from £280,000,000 to £355,000,000. If the cost of medical services is omitted, the picture changes. The extra money needed for cash payments alone is £155,000,000 of which the State will only have to find £30,000,000. This is little more than half the cost of children's allowances (excluding first children), which are to be wholly financed by the Exchequer. If there were no children's allowances for parents who are earning, the finances of the scheme are so arranged that the State would actually spend about £15,000,000 to £20,000,000 less on insurance and assistance benefits than under the existing services. The greater part of the extra £75,000,000 falling on the State in 1945 will go on medical services.

Following the Beveridge plan closely, the Government put the lion's share of the extra cost on the personal insurance contributions. Beveridge described this arrangement as, "from the point of view of the Chancellor of the Exchequer, extremely cautious." He deliberately proposed, "contrary to the advice of many disinterested experts on taxation, to keep a high contribution by the insured persons themselves," among other reasons because "I realised that in the immediate aftermath of war there would be many other calls upon the Exchequer. I wanted to put forward something that in his own interest the Chancellor of the Exchequer was almost bound to accept" (*News-Chronicle*, 1.11.1943). In this the Government agreed with him. The State's share of the total cost in 1945 will be just over one-half, compared with nearly two-thirds in the present services; but by 1965 it will have risen again to two-thirds, and will rise further thereafter.

Though medical care will no longer be an "insurance benefit," the insurance fund is to provide a subsidy of about £40,000,000 a year towards the cost of medical services. The insurance contribution will include a charge of 10d. for a man for medical care, 8d. for a woman, and 6d. for a juvenile. For workers in Class I the other main components of the contribution are retirement pensions (man: 2s. ; woman: 1s. 10½d.), unemployment (man 1s. 7d. ; woman: 1s. 0½d.), and sickness and injury (man: 1s. 6d. ; woman: 11½d.). In Class II the man's contribution is 4s. 2d., the woman's 3s. 6d. ; in Class IV the man's is 3s. 4d., the woman's 2s. 8d. For juveniles (16-18) the rates are reduced by about

one-third. In Class I the employer pays 3s. 2d. of the man's contribution and 2s. 6d. of the woman's; the employer's share is less than half chiefly because the employer pays only 1½d. towards medical services—what he pays now. The man in Class I personally pays 3s. 10d., 4d. less than the man in Class II; the woman in Class I pays 3s., 6d. less than in Class II. People who are self-employed cannot share their contributions with separate employers, because they are their own employers. Steady full employment would make it possible to reduce the man's contribution in Class I to 3s. 4d. and the woman's to 2s. 8d.—in each case 10d. less than Class II contributions.

The community can "afford it," but can all the individuals who will have to pay this heavy poll-tax—double or more the present contributions—afford their contributions? Unquestionably the great majority can, especially with the new help of children's allowances. We have seen (page 24) that the present compulsory contributions form only one-third of the money set aside by the average working-class family for services which will now be wholly or very largely provided by State schemes. Beveridge concluded that the slightly higher contributions he proposed could be met without any difficulty, "if only half of what is now devoted to insurance premiums, and only three-quarters of what is now devoted to medical treatment, were regarded as available as contributions to the compulsory insurance scheme." But some people may not find it easy to pay, because their earnings are low or intermittent. For these the White Paper provides:

- (1) That adult employed workers earning less than 30s. a week will have their share of the total contribution reduced to 2s. 6d. for a man and 2s. for a woman, and the employer's share will be correspondingly raised.
- (2) That persons in Classes II and IV will be permitted to claim exemption from insurance if their yearly income is less than £75. A person who so contracts out will eventually lose all insurance rights; if he later falls into want he will have to seek assistance. By 1965 the Government Actuary fears that the number of old people in want and not entitled to pensions may require expenditure equivalent to nearly a quarter of a million "full assistance pensions" (Appendix to Beveridge Report).

Can employers afford to pay half as much again in contributions as they do now? Unquestionably. To the employer producing for a market the employer's contribution is a cost of production, like the cost of raw materials or of labour; in most cases and in the long run the new charge on employers will be included in the selling prices of their products and so paid by the consuming public. If the goods are exported the consumer who buys them will be a foreigner. If he finds the price of British goods raised, he may buy goods from some other country. Will the new employ-

ers' contributions hamper the very necessary re-development of British export trade? An expert estimates that the possible increase in "prime costs," and therefore of selling prices, resulting from the new charge will be less than  $1\frac{1}{4}$  per cent, the effect of which on export prices would be "negligible" (J. L. Nicholson, *Oxford Bulletin of Statistics*, 4.11.1944).

Will the State have difficulty in raising its share of the cost? Will it mean "ruinous" taxation? According to another expert (N. Kaldor), if we revert entirely after the war to the 1938 system and levels of taxation, central and local, direct and indirect, the combined revenue of national and local government would be only 6 per cent short of what will be needed to finance the whole Beveridge plan, the new education services, and a completed comprehensive health service. If *all* taxes (and income tax rebates and exemption limits) were adjusted to fill this gap, the new services could be financed with income tax at the standard rate of 5s. 10d. in the £1, instead of 5s. 6d. before the war and 10s. now. This calculation allows for armed forces double the strength of 1938 and for the loss of three-fifths of Britain's pre-war income from foreign investment; but it assumes that there will be full employment and that productivity per man-hour will rise by about  $1\frac{1}{4}$  per cent per year. Even if the calculation is too optimistic, the Government should be able to meet all its likely commitments with a standard rate of income tax of 6s., or at the outside 6s. 6d., granted full or near-full employment. In 1938 about 22 per cent of the sum total of private incomes went on taxation of all kinds (including compulsory insurance contributions) to pay for public expenditure by central and local authorities. After the war the greater public expenditure required can be met by earmarking 25-26 per cent of private income for public purposes, provided we remain near to full employment. Hardly a revolution! In 1943 36 per cent of private income was surrendered to the State, and another 19 per cent was saved (compared with 7 per cent saved in 1938).

## PART III. TARGETS FOR SOCIAL SECURITY

### INCREASED BENEFITS

From the discussions on pages 44-6 it is clear that the benefit rates proposed by the Coalition should be raised by 10-15 per cent to keep pace with the cost of living. Instead of 24s., 40s. and 16s. for a man, a couple and a dependant, the rates should be at least 27s., 45s. and 18s. respectively ; and the 20s. and 36s. benefits should be raised to 23s. and 40s. *The following pages should be read with this in mind*, although for convenience of exposition the White Paper rates are retained. It is also proposed below that unemployment benefit should not be limited to 30 weeks, that sickness benefit should not be reduced after 3 years, that the child's allowance should be at least 7s. 6d., and that maternity grants should be much larger. The combined effect of these changes and of the revised pensions plan given below would be to add about £70,000,000 a year to the cost of the White Paper scheme, half of which would be needed to catch up with the rise in prices, while half would represent a real enlargement of mothers' and children's benefits. On the gloomy assumptions made on page 81, this revision of the Coalition plan would enlarge the " 1945 jump " by an additional 1 per cent of the national income, so that about 9-9½ per cent of the nation's goods and services might have to be earmarked for social security and medical care ; but if we have full employment there need be no extra cost at all (see page 79).

There should also be an accepted standard for testing the adequacy of benefits for life at the minimum level. Benefit rates cannot be automatically tied to the cost of living index, but the Minister should have a statutory duty of reviewing benefits and contributions periodically in the light of changes in the value of money and of other factors, and of explaining and defending in Parliament the action he proposes to take.

### A REVISED PLAN FOR PENSIONS

Under the Government scheme *existing* pensioners will be treated more generously than under the Beveridge plan ; for them the proposals are reasonable settlement (see page 55). But for *future* pensioners, wh

retire after the new scheme has come into force, the Government plan is unsatisfactory, (a) because it will maintain a permanent gap between working-age benefits (for unemployment and sickness) at standard rates and pensions at lower rates, and (b) because it offers no real inducement to people to postpone retirement.

This criticism is best illustrated by a hypothetical example. Albert, Bernard and Cuthbert are three brothers—triplets—living in Liverpool, not well off, unable to save much. Each is 64, has a wife, and pays 12s. for rent.

Albert's health is good and he likes his work. He does not retire until his 60th birthday. His insurance pension is 43s. (35s. basic pension, and 8s. increment for 4 years' deferred retirement). Since his savings are small, the Assistance Board scale and rent rules (for Liverpool) allow him a supplementary pension of 4s., so that his total income is 47s. a week.

Four months before their 65th birthday, Bernard and Cuthbert both lose their work, and each draws 40s. unemployment benefit. As a birthday present at 65 their benefit is cut to 35s., the pension rate to which they are now entitled, because no one of an age to retire is to have a working-age benefit at more than the appropriate pension rate (see page 57). This cut discourages Bernard, who decides to retire forthwith. He draws his 35s. pension, and, in view of his rent, the Assistance Board makes it up to 47s. His wife (who is younger) decides to take in washing and earns 10s. most weeks. Her earnings are disregarded under the Assistance Board's rules, and Bernard and his wife enjoy an average weekly income of 55s. When he is 66, tiring of complete idleness, Bernard begins to earn 45s. a week from part-time gardening jobs, while his wife gives up washing. He now forfeits his supplementary pension, and his insurance pension is reduced to 10s. (see page 56), so that his total income remains 55s. weekly. At 68 he and his wife retire completely; they settle down again on 47s.—35s. pension and 12s. rent allowance from the Assistance Board.

Cuthbert is determined not to retire until he has to. Three months after his 65th birthday his unemployment benefit is exhausted and he passes onto Unemployment Assistance. In view of his rent this means a rise from 35s. to 43s.! Two months later he finds a rather uncongenial job, the strain of which, a year later, makes him ill for three months during which he has to live on sickness benefit of 37s.—the sub-standard pension rate for a married man retiring at 66. Depressed, he decides to retire on a pension of 37s., which, in view of his rent, the Assistance Board makes up to 47s. Just before his 67th birthday he is offered an unexacting job at 70s. a week. He feels so much better that he gives up his pension and stays at his new work for the next two years. At 69 he decides to retire for good, and is then shocked to find that he is still entitled only to a pension of 37s., though he has done three full years' work since his 65th birthday. He has forgotten the passage in the White Paper which says:

"If a contributor who has once drawn a retirement pension again

becomes employed he will be exempt from payment of contributions, though his employer will have to pay the employer's share. *This means that he will not be able to earn a higher pension by subsequent contributions."*

But on reflexion Cuthbert finds that he is no worse off, since the Assistance Board still makes his income up to 47s.

Thus all three brothers end up at 69 on 47s. a week, although Albert has worked for the whole of the four preceding years and Cuthbert for three years, while Bernard has done only two years of part-time work. Albert's only reward for enlarging the national income for four years when he might have retired is a larger pension and a smaller Assistance Board allowance than either of his brothers'. Albert had a good job, and has at least the satisfaction of knowing he was better off before he retired than either of his brothers. But Cuthbert is left wondering whether he would really have been worse off if he had followed Bernard's advice to draw his pension at 65 and then look around for easy part-time work to add to it. And the pensions provided at 69, even for Albert, do not guarantee freedom from want, if "want" is measured by the Assistance Board's scale of needs.

This story has three morals :

### NO SUB-STANDARD BENEFITS

(1) For *future* pensioners the sub-standard rates cannot be defended. Standard-rate pensions of 24s. can be earned under the Government scheme by single men and women who defer their retirement for four years, and pensions slightly above 40s. can be earned by married men who postpone retirement for three years (see page 56) ; but these "waiting periods" are too long, and they favour the married at the expense of the single. On the other hand, as Beveridge insisted, it will be impossible on grounds of cost in the next ten years to justify paying full standard-rate pensions from the present minimum ages of 65 for men and 60 for women. The solution is obvious, though politically unpopular and passed over in silence by Beveridge and the Government : the age for standard rate pensions should be brought forward to 67 for men and 62 for women, but *no pensions at all should be paid below those ages*. In other words, *the present pension age should be raised by two years for everyone, and this change should be accompanied by adequate pensions for all*.

The Beveridge scheme deferred the provision of adequate pensions for 20 years ; the Government defer them indefinitely. They can be introduced now, but only if the community pays for them by raising the minimum age at which retirement is permitted. For the sake of those who will become pensioners in the 1950s and 1960s, the change is worth making. If it is not made now—and no political party intends to make it—it may well be forced upon Britain in the 1970s, when there will probably be only three persons of working age for every person of pension age. And if public

health continues to improve and people only start to work at 16, it will be common sense to expect men to be able and willing to work until 67 and women until 62.

(2) If the sub-standard pensions are abolished, there will be no need to pay unemployment and sickness benefits at sub-standard rates to men aged 65-68 and women aged 60-63. Normal working life would simply be prolonged by two years, and during the last two years working-age benefits at the full rates would be payable in the normal way. At or beyond pension age the rates would be the same as for pensions.

### *THERE SHOULD BE STRONGER INDUCEMENTS TO DEFER RETIREMENT*

(1) A shilling a week on the single person's pension and two shillings on the married man's for each year retirement is postponed are quite inadequate. The need for such inducements to stay at work would be much weaker if the retirement age were raised by two years ; but if they are given at all they should be substantial for a few years. It might, for instance, be wise to enable a man to add 50 per cent to his pension, and a woman 25 per cent to hers, by postponing retirement for three years—i.e., by retiring at 70 (man) or 65 (woman). (Since women already have the privilege of retiring 5 years before men, it is difficult to justify giving them the same pension increases at 65 as men would get only at 70). Above these ages the annual increment might be 2s. for a single person and 4s. for a couple.

(2) If a man gives up his pension and returns to work, like Cuthbert, his new spell of employment should be allowed to increase the pension he will draw when he finally retires. (To prevent abuse, only completed years of "insurable occupation" would count ; and within each year a minimum of (say) 39 contributions actually paid would be required).

The combined effect of the changes so far suggested would be to afford full unemployment and sickness benefits for all adults, regardless of age, to give every person entering retirement a better pension than under the Government scheme *at the same age*, and to do both these things without appreciably altering the total economic cost of the scheme to the community. For retirement at 67 the Government offers the single man 22s. ; if he waits till 70 he is offered 25s., and at 73, 28s. The same rates are provided for the single woman 5 years younger. The suggested changes would give the single man 24s., 36s. or 42s. respectively for retirement at these ages, and the single woman 24s., 30s. or 36s. For a married man the Government offers 39s. at 67, 45s. at 70, and 51s. at 73 ; the new rates would be 40s., 60s. and 72s. respectively. The additional years of productive work people would have to perform to earn these higher pensions would add to the national income far more than would be needed to meet the additional cost—if there were any—which might be involved.

## *A SPECIAL EMPLOYMENT POLICY FOR THE ELDERLY IS NEEDED*

Plainly none of these changes will be possible if their only effect is to increase unemployment among the elderly or to keep them on the labour market while younger men and women are waiting to step into their shoes. And no pension scheme can provide the main incentive to old people to remain at work when they might retire. The big inducement can only be a supply of jobs offering a higher income and a more interesting way of life than retirement. To be financially worth taking the jobs will have to yield 20s. to 40s. more than the pensions old people can claim, and usually they will have to be jobs of a kind old people are able to undertake without injury to health. Otherwise, though the Alberts may stay on at work, the Southberts will soon join the Bernards in retirement. There will not be work for old folk unless there is work for all. But even granted general full employment, there will still be need for a special employment policy for the elderly to meet their special problems—their common inability to travel long distances or work long hours, the prejudices of employers, and other factors. Special attention will have to be given to the employment difficulties of women over 50, and it will have to be realised that in many cases postponing retirement means, not clinging to an existing job, but taking up something fresh.

## BETTER BENEFITS DURING WORKING AGE

The Government's departures from Beveridge's principle that benefits should be adequate both in amount and duration are mostly ill-advised. Wherever they might overlap with pensions, working-age benefits are cut to pension level; and unemployment benefit is limited to 30 weeks at a stretch.

### *ABOLITION OF INVALIDITY BENEFIT*

Apart from the sub-standard unemployment and sickness benefits for people above retirement age, discussed above, sickness benefit below retirement age is to be cut to the lowest pension level after 3 years, and renamed "invalidity" benefit. This cut was forced on the Government by the discrepancy between pensions and working-age benefits (see page 61). It is difficult to think of any other possible defence of this psychologically harmful and sociologically unrealistic proposal. The prolonged invalid is to be treated as a pensioner although he cannot, like the pensioner, add to his benefit by postponing his claim. If his illness is genuine, his need of money will be at least as great after 3 years as after 3 months or 3 weeks. What insurance withholds, assistance will have to

supply. If his illness is not genuine, a reduction of benefit after 3 years is no safeguard whatever against abuse. Full sickness benefit should always be paid without reduction however prolonged illness may be. The only effective safeguard against abuse—apart from constructive sick-visiting—is to attach stiffer medical conditions to benefit when illness is protracted, by requiring, for instance, further medical opinions, psychiatric examination, or compulsory rehabilitation.

### *UNEMPLOYMENT BENEFIT OF UNLIMITED DURATION*

To limit a workless man's benefit to 30 weeks if he registers as "unemployed" while allowing it to run indefinitely if he registers as "sick" will involve the practical difficulties explained on page 62. And the argument in principle against automatically discharging the unemployed onto the Assistance Board after 30 weeks is set forth on page 26. If there is no work for a man to do, even in a different trade or a different area, his transfer from benefit to assistance solves nothing and only creates resentment. But in conditions of fairly full employment, when most of the workless are out of jobs not because there is no demand for labour but because they happen to be in the wrong trades or districts, men drawing benefit obviously cannot be permitted to hold out indefinitely for work to which they are accustomed or in the places they prefer. Whether men are offered training—as the young and the adaptable will be—or asked to change to other trades without training, or pressed to take work in new areas, some will be unwilling to face the change and will refuse unless subjected to pressure.

The Government want to apply pressure by stopping benefit after 30 weeks. Both in this case and in the case of the man disallowed benefit for unreasonably refusing an offer of training or employment, it is assumed that the recalcitrant worker will see reason when he realises that he must apply for assistance if he persists in refusing to make the changes expected of him. This assumption is largely mistaken. Those most in need of social pressure to make themselves self-supporting will not usually be deterred by the prospect of the kind of means test or the scale of needs now employed by the Assistance Board. Many of those with dependent families will be better off on assistance than on benefit. On the other hand, many others thrown on to assistance after exhausting their benefit will be elderly, self-respecting men and women for whom such pressure, even after 30 weeks' unemployment, may be quite inappropriate, but who will feel it keenly. An automatic limitation of benefit, regardless of the individual's circumstances, is an indiscriminate hit-and-miss method of pressure. It could only be an effective sanction against the stubborn for whom it is intended if assistance were once again to revert wholeheartedly to the "less eligibility" principles of 1834 (see page 9) and

were to inflict intolerable physical privation on the families of men who insist on staying put in their own trades or districts.

The 30 weeks rule also suggests that the Government have no great faith in the ability of the officers of the Ministry of Labour to study the unemployed individually and to settle in each case the conditions to be attached to a grant of benefit and the point at which benefit would be justifiably cut off. If the duration of benefit were not limited, the Ministry of Labour would be obliged, in order to prevent abuse, to do its case work thoroughly and to suit the remedy to the individual.

And, as P E P points out,\* unlimited benefit would drive into the open the question of sanctions against the "unreasonable" benefit claimant. Society's pressure on the unco-operative individual can in the last analysis assume only two forms: he can be threatened either with starvation or with direct punishment. In neither case need the sanction be carried to extreme limits, and in a humane society the mere existence of such sanctions would usually suffice to discourage unreasonable behaviour; but in the last resort one or other of these threats must be enforceable. Britain has virtually abandoned "less eligibility," the application of extreme economic pressure. The only alternative, according to P E P, is "direction by the Ministry of Labour into an appropriate wage-earning job, and, however gently such compulsion is exercised, it must carry with it the ultimate penalty of prosecution." Whichever sanction is chosen, it "could, and should, only be applied if suitable work were actually available and unreasonably refused; in effect this means that the question of applying sanctions would only arise in conditions of full employment." Limitation of benefit is purposeless unless assistance is deliberately made into an affair of disgrace and hardship by comparison with insurance, and no such intention has been expressed by the Government.

## ONE INSURANCE SCHEME, NOT TWO

The special scheme for industrial injury is not sufficiently unified in form and detail with the rest of the insurance plan. Distinction between industrial and other injuries involves certain differences in procedure, but the aim should be to provide for industrial injury as far as possible according to the same rules, though on a more generous scale, as for other forms of ill health and injury. As matters stand the industrial injury scheme is semi-detached from the general insurance scheme, and it introduces many discrepancies in the provision for the sick and injured which may have very awkward consequences.

\*PLANNING No. 232, *Forward to Social Security* (March 1945).

*REVIEW OF DISABILITY BENEFIT RATES*

The contrast between the proposed rates for industrial injury—which are quite high enough—and for ordinary sickness benefits is startling. A married man with one child, returning home from work, slips from the step of the bus as it pulls up near his home, breaks his spine and becomes a permanent invalid. If the vehicle was a works' bus, even though he was not required to travel in it, the Industrial Injuries Bill will give him benefits of at least £4 3s. 6d. a week, and possibly £5 3s. 6d. But if it was an ordinary passenger bus, he will be given sickness benefit of £2 5s., reduced after 3 years to £2. The least that should be done is to adopt the increases suggested on page 87, which would bring this man's sickness benefit up to £2 12s. 6d., and to abandon the stupid idea of reducing it after 3 years.

Similarly there is no case for paying a young childless widow capable of supporting herself a pension for life if her husband dies of an industrial injury, but only a pension for 13 weeks if he dies of some other injury. The pension in the former case should be temporary too, but for a longer period.

*REVIEW OF PROVISION FOR DEPENDANTS*

In future, whether unemployment, sickness or industrial injury benefit is claimed, the same range of dependants will be eligible for allowances. There will be an allowance for one adult dependant—*either* a man's wife, *or* a relative such as a disabled father or a widowed mother, *or* a woman having the care of a man's children. But dependants are treated very differently after a man's death. If he dies of an industrial injury, there will be pensions not only for his wife, but *also* for his dependent mother *and* father, if they are unable to support themselves; if no wife's or parents' pensions are claimed, a pension may be given to one other adult dependant—*either* a member of the family incapable of self-support, or a woman having care of the man's children—and in addition there may be temporary pensions for other family members incapable of self-support. But if a man dies from any other cause, there is a pension only for his legal wife. The contrast is glaring. The industrial injury scheme is modelled on war pensions, which are provided for men conscripted for military service, selected by tests of medical fitness, and compulsorily placed in far greater danger than workers in industry. It is justifiable to provide for a narrower range of surviving dependants in the case of industrial casualties, perhaps by retaining the rule that benefit shall be paid to only one adult dependant. On the other hand, the ordinary pension scheme goes to the other extreme by allowing only legal widows to qualify. There should be the same set of dependency rules for both types of pension,

preferably based on some kind of compromise between the Government proposals in the two cases.

## BETTER PROVISION FOR MOTHERS AND CHILDREN

The social security scheme is not specifically designed to encourage larger families, but all the benefits provided for mothers and children should also be considered from that angle. The report of the Royal Commission on population should throw a much fuller light on the possibilities of assisting parenthood by various kinds of financial benefits. Meanwhile a number of lesser changes are needed in the Government scheme to achieve the more limited object of security against want.

If the State wants to encourage parenthood it will have eventually to enlarge all the benefits for mothers and children. This will be easier to do in the case of children's allowances, which are to be financed by the Exchequer, than in the case of the birth and maternity benefits which can only be raised if insurance contributions are also raised. The allowances for the first child of a family drawing benefit and for an orphan, the lump-sum birth grant and the maternity attendant's allowance for housewives ought to be financed by the State in the same way as children's allowances, not provided through insurance. Insurance is best used to cover risks the State wishes to prevent, or to discriminate between individuals entitled and individuals not entitled to benefit, or to settle the amount of individual claims. But the State wishes to encourage the "risk" of maternity, and no insurance test is necessary to settle claims for benefit. The birth grant will be paid on the birth of every child, every housewife should qualify for attendant's allowance, and the rates will be the same in all cases; if parenthood is to be encouraged, there should be no contributory tests which may exclude a certain number of parents from these benefits, any more than there are to be contributory tests for the children's allowances. Insurance tests will have to be retained for the maternity benefit for gainfully occupied mothers, for this is rightly to be reserved for those mothers who are genuinely earning a living, a matter best tested by reference to their contributory records in Classes I or II. But there is no compelling reason why the other benefits should be given through insurance, and there are several practical reasons why the State should meet the whole of their cost from taxation.

### *IMPROVED MATERNITY BENEFITS*

#### (1) BIRTH GRANTS

The lump sum grant of £4 on the birth of a child is ridiculously small. The Government's death grants are more than enough to pay reasonable funeral expenses; the birth grant should at least be a substantial contribu-

tion towards the "capital" cost of having a child (assuming all medical services are free). For a first child the grant should be at least £20, and for other children at least £10. (Prams, cots, high chairs, etc., do not have to be bought anew for each new child.)

## (2) HOUSEWIFE'S ATTENDANT'S ALLOWANCE.

This allowance of 20s. a week for the first four weeks of maternity should be extended to cover eight weeks, and supported by a public home-helps service.

## (3) THE WORKING MOTHER'S MATERNITY BENEFIT.

This benefit of 36s. for 13 weeks before and after confinement is intended to enable the gainfully occupied mother to give up her work without financial hardship. It is not usually good for mother or child if the mother returns to work until the baby is at least three months old. If it emerges that too many mothers do go back to work when their benefit is exhausted because they need the money, the period of the benefit should be extended.

# MORE GENEROUS CHILDREN'S BENEFITS.

## (1) LARGER ALLOWANCES.

Free meals and milk at school and cheap or free milk for children below school age will be a great benefit, but the amount the nation spends on these services will not result in an *equivalent* saving of expenditure by parents. Universal school meals will cost £60,000,000 a year, but £20,000,000 of this will go, not on food which parents would otherwise have to buy, but on the maintenance of halls and kitchens, chairs, tables, plates, cutlery, the wages of cooks and assistants and similar items which will save parents little or nothing. The amount to be spent on children's allowances ought not therefore to be reduced by the total cost of children's food services. And even when school meals are available everywhere they are not likely to be available during school holidays and cannot be available to children who are ill; and in many areas there will be parents who rightly refuse to allow their children to eat at school because the food is poor, or badly cooked, or served under cramped or dingy conditions, and there will be awkward children who will not eat their school dinners. These inevitable imperfections of school feeding are not of great consequence when the child's father is earning; but if the father is ill or unemployed it is not defensible to give him an allowance insufficient for his child's minimum needs, on the assumption that the child is sure to be eating five meals a week at school. The Assistance Board scale of minimum needs allows an average of 7s. 6d. for a child, excluding rent, and this is the smallest sum that can be justified for the new children's allowances.

Allowances of 7s. 6d. would require an extra £35,000,000 a year, which

can be found without adding a penny to the total cost of the social security scheme if unemployment is not allowed to rise above  $5\frac{1}{2}$  per cent. In addition there is a strong case for paying larger allowances in respect of fourth and subsequent children; for families with four or more children ought to be able to afford domestic help and to live in suitably large houses. It would cost only £2,000,000 a year more to raise the allowances to 10s. in such cases, and £4,000,000 to raise them to 12s. 6d.

## (2) FREE OF TAX.

Children's allowances will not be paid until some future date, but the Family Allowances Bill in May, 1945 had to adapt the new allowances to all the allowances then being paid for children by *existing* public services. No insurance child's allowance is to be added to unemployment benefit, workmen's compensation, or a contributory widow's pension for a child covered by the new children's allowance scheme, but the new child's allowance is to be withheld from an *orphan* receiving an insurance pension. The orphan will thus retain his pension of 7s. 6d., instead of having it replaced by an allowance of 5s., until the general insurance scheme eventually gives every orphan a total allowance of 12s.

Government and Parliament did not, however, agree about the application of the "non-duplication" principle to allowances paid for children (a) as part of the military pay of Servicemen, and (b) as part of the pensions given to injured men, their widows and orphans for injury or death (1) under the scheme for war service casualties (armed forces), (2) under the scheme for civilian war casualties (including merchant seamen), and (3) under the special schemes for policemen and firemen hurt or killed in the ordinary course of duty. In all these cases the special benefits provided *replace* any benefits otherwise payable under social insurance schemes, except where the latter are greater. It was finally agreed to allow duplication of children's allowances in all these cases until the rates for children in these special schemes (except those for firemen and policemen) are raised by an amount equivalent to the benefits payable under the Family Allowances Act.

The new children's allowances will be liable to income tax. But the existing allowances for children included in the pay of Servicemen and in disablement and widows' pensions for civilian and Service war injuries are free of tax, while allowances for war orphans and policemen's and firemen's pensions are taxable! These anomalies are not perhaps important, but the Government's refusal to consider the relationship of the new social security service to the parallel system of income taxation is likely to produce many more important anomalies. The decision to make the new children's allowances taxable is in fact absurd. The State is to make two additions to the family income—an addition in kind, school meals, which

are not taxable, and an addition in cash, children's allowances, which are to be taxable merely because they are given *in money*. The two benefits are to be given without means test to every eligible family, but a means test is to be applied retrospectively through income tax to one of the two benefits, the cash allowances, merely because the Treasury likes to make all *money* income taxable if it can.

## SECOND THOUGHTS ON DEATH EXPENSES

### FUNERAL REFORM

The proposed death grants should suffice both to meet direct funeral expenses and to leave a margin over to cover layout on flowers, mourning, wages lost on the day of the funeral, and other incidental costs incurred by the person who pays the funeral bill. The grants may in fact be unnecessarily large, since they appear to be related to *existing* funeral charges, which in many parts of the country are unjustifiably high. Unless the Government take drastic steps to control and rationalise the prices charged by undertakers, cemeteries and crematoria, the grants may have the effect of further inflating prices. Funeral charges appear to be determined less by the value of the services rendered than by the money available to relatives to spend on the funeral.\* The nation's annual outlay on the dead is already wastefully and senselessly great, partly because of the prevailing folk-lore about funerals, but partly also because of the expenses often forced upon relatives who are in no mood to haggle or to analyse costs. Death grants should not be allowed to add to this extravagance. If it would give the Government a more direct inducement to reduce funeral costs, it would be better to make the death grants a direct charge on the Exchequer. There is no reason why they must be provided through social insurance. Every person who dies must have a funeral, and none needs more than one funeral. The cost to the community is certain and inescapable; only its incidence on individuals is uncertain.

### RATIONALISATION OR NATIONALISATION OF INDUSTRIAL ASSURANCE

#### (1) INDIRECT EXPENSES AT DEATH.

Apart from the relative who pays the funeral bill, there are usually others who feel obliged to spend money—they have to travel to the funeral, taking time off from work, they send wreaths, and perhaps buy mourning clothes. The wasteful, haphazard, socially injurious, and sometimes semi-illegal

\*See Joan Clarke's *Funeral Reform* (Social Security League, 1944)

methods by which such relatives are allowed or persuaded to cover these indirect expenses arising at death by means of industrial assurance policies were discussed at length on pages 70-74.

Beveridge was undoubtedly right in concluding that the best solution is to convert industrial assurance into a public service. This change is not essential for the success of the social security scheme, but the Coalition's alternative of nationalising some of the services provided by industrial assurance (death grants and administration of sickness benefit), while leaving the rest in private hands, presents at least as many difficulties as nationalisation, and it is less beneficial to the public and less fair to the insurance agents (see page 74). In the long run it will be found that the Coalition's line of least resistance is also the line of greatest confusion and that nationalisation is an easier, simpler and juster reform than the piecemeal break-up of industrial assurance proposed in the White Paper.

If nationalisation is rejected, however, it will be a scandal if the Government refrain from enforcing the most drastic legal restrictions and reform of practices upon the industrial assurance business. If life-of-another policies are permitted at all outside the terms of the Act of 1774 (see page 71), the sum assured should be limited to £10 or £15, and no policy should be issued without the written consent of the person whose life is being assured.

## (2) A SQUARE DEAL FOR INSURANCE AGENTS.

If the business is thoroughly reformed in these and other ways, many insurance agents will be deprived of part of their livelihood, apparently without any compensation (see page 74). It would be exceedingly difficult to frame an equitable compensation scheme in such complicated circumstances, but the Government can hardly escape the moral obligation of attempting to do so if they leave industrial assurance in private hands. Nationalisation of the whole business would, as Beveridge explained, make it far easier to guarantee a square deal for all displaced agents.

# FINANCIAL CHANGES

## THE CASE FOR REFORM

In theory the financial structure of the Government scheme—like that of the Beveridge plan—is open to many objections.

- (1) Contributions are not really insurance premiums but a poll tax levied on all citizens at uniform rates, regardless of their incomes or family responsibilities. Any tax which ignores the citizen's capacity to pay is objectionable and should be kept as low as possible. Rich or poor, every man in Class I will personally pay

- £20 a year in contributions, one-tenth of an income of £200. On the same income a single man's income tax at the 1944-45 rates would be more than this; but a married man's income tax would be only £13, and a married man with one child would pay no tax at all. For the man in Class II, who has no employer to share his contribution, the proposed poll tax is 18s. a year larger.
- (2) The new insurance scheme will run side by side with income tax, now on a pay-as-you-earn basis and extended to the majority of earners. There will be two parallel systems, unrelated and overlapping, working on different principles, for collecting money from the public and redistributing it among them; they ought to be merged as far as possible.
  - (3) The employer's contribution is an illogical survival which ought to be abolished. The only employers who really pay the contributions themselves, instead of passing it on to others as a cost of production, are those who do not produce goods or services for sale at a profit (see page 24). The employer's contribution thus fails to achieve its presumed object; in so far as it has any positive economic effects, they are probably harmful. While it remains, citizens in Class I will inevitably appear to be getting insurance benefits on better terms than those in Class II.
  - (4) The imposition on the insurance fund of a charge of £40,000,000 a year towards the cost of medical services, which are not to be insurance benefits at all, is unprecedented and inadvisable. The case for such a subsidy is no stronger than the case for using insurance funds to subsidise education, school meals, road-building or the Royal Navy.

### *THE CASE FOR WAITING*

In practice and for the time being the balance of advantage lies with the methods chosen by the Coalition. The higher benefits to be provided ought to be matched by higher contributions, to help remind every citizen that social security has its price which he must share. And from the Government's point of view contributions are a customary and convenient form of taxation with a high degree of stability. The £40,000,000 insurance subsidy for medical services was no doubt proposed by Beveridge, and accepted by the Government, in order to help the Chancellor of the Exchequer over his budgetary difficulties during the years of transition from war to settled peace. About half the total cost of the social security and medical services will in any case have to be found from taxation. If this proportion has to be considerably increased because of a strong demand for reduced contributions, the new system may be deprived of the stability it will need to survive without serious harm the sort of reactionary "economy campaigns," short-sightedly aiming at lower taxation, which are to be feared in the years immediately following the post-war boom. The contributions proposed are lower than those

Beveridge suggested, while incomes are likely to be larger than he assumed. The great majority of people can afford them, and on the whole it is best to begin in the way the Government intended.

But when the scheme is well established and has weathered the early years of peace, the charge for medical care (10d. weekly for a man) should be dropped from the contribution and transferred to taxation. Parliament should insist that the National Insurance Act forbids the Government to make this charge on the insurance fund for more than five years. And not later than five years after the scheme comes into force the Government should be required to institute a comprehensive review of its financial workings and its relations with income tax. This would be the occasion, if nothing is done earlier, to transfer all children's benefits, birth grants, maternity attendant's allowances, and death grants from insurance to taxation. Sooner or later the employer's contribution should also go. If it is felt important to tax employers as such specifically for social insurance, this could be better done through income tax or by a tax on profits. The ultimate aim, which may require a generation to attain, should be to fuse social insurance and income tax as far as possible. The flat-rate contribution should not be abolished, in view of the strong feeling people have that they have a right to benefits of fixed amount without inquiry into their means if they have paid fixed contributions regardless of their means. But the insurance poll tax ought not to be higher than is necessary to preserve this feeling, and citizens ought to pay the greater part of the cost of insurance benefits by the equitable method of taxation according to capacity to pay.

## A MACHINE FOR SOCIAL SERVICE

### *BUILDING THE MACHINE*

No matter when or in what order the Acts are passed, it is virtually impossible to bring the social security scheme into operation by stages or to start it at all until the machine to work it has been created. Unemployment benefit under the existing scheme could be brought up to the new rates without difficulty; and children's allowances and industrial injury insurance, administered through improvised machinery, need not be long delayed. But the rest of the social security plan, though it may be legislated by stages, must be brought into operation as a whole; it cannot be split up. The new pensions, sickness and maternity benefits, and death grants cannot be provided for Class I through the existing insurance scheme unless they are also provided for people in Classes II and IV; to bring the latter Classes in later would require elaborate arrangements for

maintaining the rights of the many people passing out of the present insured class into one of the classes not yet insured. And it is virtually impossible to introduce the new sickness benefits under the present insurance scheme until the approved societies have been displaced, nor can they be provided for people in Class II until, at the very least, they are given free access to panel doctors for medical care and certification of incapacity.

In spite of these difficulties, the Ministry of National Insurance ought not to be allowed to take longer than two years from its own D Day—April 1, 1945—to find its staff, complete all arrangements, and open its local offices, if necessary in temporary premises, converted or prefabricated. It will be a tragedy indeed if the Ministry is not ready to go into action by the time of the final demobilisation after the conquest of Japan. The returning soldier will expect something better in civil life than 18s. sick pay and a panel doctor, with neither cash nor medical care for his wife and children.

### *MAKING IT WORK*

At first the Ministry's machinery will inevitably be improvised in some respects, and its officers, drawn from many different sources, will need time to develop a common experience, team spirit, style of work and a tradition of service. But the aim must be to build a machine for service to the public, using the right methods and the right kind of staff in the right conditions for efficient and humane service, not merely a streamlined battery of card indexes and cash registers recording contributions, testing claims, paying money, and taking no further interest in people. The machine must be interested in its clients as human beings in need of help. It must study them, in the mass by statistical inquiries and research surveys, and as individuals who may need much else besides cash.

#### (1) THE RIGHT METHODS.

Because the assistance services have to apply a means test and pry into people's private affairs, they have discovered that a substantial minority of pensioners, widows, sick people, children and others on their books have difficulties (over housing, health, education, domestic help, even loneliness) which can be solved, not by money payments, but by advice, by putting people in touch with other services, and by making sure that other agencies do meet their needs. Such welfare work is just as much needed among people drawing insurance benefits, but at present there are no means of discovering those who might be helped. When the Ministry takes over sick visiting it will have a great opportunity of developing this necessary service on constructive social work lines in close collaboration with the medical services; and there will be similar opportunities, in

different ways, for welfare work among pensioners and among people receiving industrial injury benefits or children's allowances. The work of labour exchange staffs needs to be greatly improved; too often they know far more about local employment openings than about the individuals they select for particular jobs. Close study—and "follow up" after placing—of the individual is specially important in the case of the disabled and physically handicapped, a task badly managed at present. There must be facilities, too, for the ordinary citizen to seek information and advice on his own initiative.

## (2) THE RIGHT STAFFS WITH THE RIGHT OUTLOOK.

However the work is done it requires in all cases a common attitude of staffs towards the public, an outlook in which the knowledge and sense of duty of the public servant is blended with human sympathy and ability to put oneself in the other man's shoes. In selecting its new staff from public assistance officers, visitors and agents of approved societies and insurance companies, and from other sources, the Ministry must watch out for individuals with the right qualities. And it must see that all its officers are properly trained, paid, and led, and given the proper conditions for good work.

## (3) THE RIGHT STRUCTURE.

If, as the White Paper apparently proposes, the local offices of the Ministry and the Assistance Board in each district are to be both physically and administratively separated, with insurance and assistance unified only in Whitehall, the administrative structure will impede the proper development of welfare activities. When insurance benefit rates are raised, the Assistance Board will lose a proportion of its cases and find its own opportunities for welfare work correspondingly restricted. Unless there is a large separate development of welfare activities in the administration of insurance benefits and children's allowances, the public income-maintenance services will have fewer opportunities than now of discovering people who need help other than cash payments. If there are separate welfare and visiting staffs for insurance and assistance, there will be overlapping and duplication of work; if the insurance office calls in the Assistance Board staff for these purposes, all the Ministry's welfare activities may come to be associated with "the means test." In each district the insurance and assistance offices should have a single administrative chief, and he should control a single "general purpose" welfare service whose workers would be used by all sections of the unified organisation. At the Ministry's headquarters, too, there should be three departments—for insurance, assistance, and welfare and research—with co-equal

chiefs under the Minister and his immediate assistants. Welfare is too big and comprehensive a purpose to be split up in sections between insurance and assistance.

#### (4) CO-ORDINATION WITH OTHER MINISTRIES.

The new Ministry should be responsible for all war pensions and all pensions for ex-regular members of the armed forces, as well as for war service grants and welfare work among the families of men and women in the forces. There is no need whatever to retain a separate Ministry of Pensions to distribute cash to ex-Service men and their families, many of whom will also be clients of the Ministry of National Insurance. Nor is there any reason why the Admiralty, the War Office and the Air Ministry, whose task is to conduct military operations, should be burdened with the duty—which they do not understand or do well—of looking after the welfare of the families of fighting men. The civilian Ministry of National Insurance, whose daily work will be among the ordinary families of Britain, could do this job much more successfully.

Nor should the new Ministry operate in separation from other Ministries concerned with social service. The Cabinet should have a permanent committee on social services and social policy, including at least the Ministers of National Insurance, Health, Labour and Education, to ensure proper co-ordination and development of activities.

## A SECURE SOCIETY

After V Day in Europe the British Coalition Government broke up. Almost all the reconstruction plans it had prepared were still on paper. A new Parliament was elected and a new Government undertook the task of conquering Japan, building world peace, and honouring the domestic pledges of the Coalition. During the election campaign there was little difference in what the rival parties had to say about social insurance. It became clear to the intelligent voter that the single Benefit Club for the whole nation was bound to come, whichever party came out on top.

For this the overwhelming public response to the Beveridge report was the chief guarantee. The British people had not gone through the miseries and massacres of the second world war in a single generation only to return a second time to a peace of insecurity, want, idleness and social strife in "a land fit for heroes to live in." Security of an income of one's own during interruption of earnings was the smallest and cheapest reform that could be offered to men and women who in 1946 were in no

mood to forget the hopes of 1919 and the disillusionment that followed. No politician dared ignore the new mood.

If for no nobler reason, the National Benefit Club had to be created for the reason that moved Bismarck to introduce social insurance in Germany 60 years before—to offer the workers something that might persuade them “to regard the State as a social institution existing for their sake and interested in their welfare,” and so dissuade them from insisting on far greater changes. It was the easiest and cheapest of all the big reforms on the agenda of reconstruction. It provoked no basic interest that could not be broken down, it involved no fundamental shift of economic or political power, it was convenient to all parties. The Socialist for instance, knew that his co-operative commonwealth would need pensions, sick pay and children’s allowances just as much as a capitalist society. The big business man who dreamt of being “master in his own house” after the war saw that social security and medical services could be used to further his ideal of vesting control of the nation’s economic affairs in “self-governing” monopolist associations supported by the State. The Liberal knew that perpetuation of social insecurity would destroy democracy.

Sensible men and women who wanted the National Benefit Club to be a real success did not test parties in the election by what they said about the Club itself, but by what they said—and seemed likely to do—about the conditions and policies needed to make the Club work satisfactorily. The thoughtful voter was more concerned with “social security” in the wide sense—creation of secure social conditions—rather than in the narrow sense used in this book—provision of public income when the insecurity of society causes private income to fail. And he saw that four main sets of conditions were needed to ensure a really satisfactory National Benefit Club in a secure society.

### *A STABLE COST OF LIVING*

The purpose of the Club was to provide, not just money, but a reasonable minimum of food, clothing and other necessities. The reconstruction Government must therefore be determined to give everyone the chance of obtaining a diet that would afford protection against malnutrition, even if it involved subsidising consumption of particular foods or of particular groups of consumers. The Government must be ready without misgivings to reduce the prices of clothes, fuel, furniture, prams, funerals and other necessities to a minimum and keep them under control, even if it involved non-profit-making mass production and distribution of many consumers’ goods. And it must show its serious intention of retaining the taxes and developing the controls, including policies for wages and

breaking down monopolist restraints on production, needed to rationalise and cheapen the supply of necessities.

### *A COMPREHENSIVE MEDICAL SERVICE*

The working of the Club would be seriously clogged unless the most vigorous action was taken to build a far better system of health and medical services, available to every citizen without fee, than the community had ever known in the past—a system which tolerated no class distinctions in treating illness or promoting good health, and which provided for the most rapid expansion of hospital, specialist, and medico-social services and for the raising of general practice to a new level of well-equipped competence by the development of health centres. By the summer of 1945 it had become clear that the Conservative Minister of Health was abandoning many of the most hopeful advances promised in the White Paper on medical services rather than quarrel openly with an obstructionist section of the medical profession, the voluntary hospitals and the local authorities, who thought private trading in medical care, separatism or parochial prestige more important than the public health. The wise voter wanted a Government determined to implement the constructive compromise of the White Paper.

### *NATIONAL CONTROL OF LAND VALUES AND HOUSE RENTS*

The Club could not even approximate to the ideal of a subsistence minimum for all without a vigorous effort to level out the chaotic variation of house rents. Until the supply of houses was adequate in all parts of the country the sensible voter wanted the legal control of rents to be rationalised and maintained, and coupled with reform of local government finance to even out the wide-spread variation of local rates. But he knew that more fundamental measures were needed—not merely the building of new houses by the million, which all parties wanted to do, but a systematic national policy to decentralise and decongest town life and redevelop blitzed and obsolescent communities along healthier lines, all of which would bring about a big reduction in the inflated value of building sites in central urban areas. But community redevelopment schemes such as the London and Plymouth plans had no hope of success unless local authorities had adequate planning powers and financial resources, unless the location of industry were nationally controlled, and unless there were a national scheme to balance the shifts of loss and gain between individual land owners and local authorities which must result from planning. The Conservatives prevented the Coalition from having any land and planning policy at all; the wise voter was determined to have this nettle firmly grasped.

## *FULL EMPLOYMENT IN THE SATISFACTION OF SOCIAL NEEDS*

It was not difficult for all the parties in 1945 to promise full employment during the whole lifetime of the new Parliament. The White Paper on employment policy had made it clear that there would be more than enough work for all to do during the period of the Japanese war and the subsequent transition to full peace. The intelligent voter was more concerned to establish a Government that would direct the full employment of the nation's resources to satisfying the most pressing needs in order of urgency. Apart from munitions to conquer Japan, he wanted the national effort to give priority to producing what was most needed: modern equipment for the reorganised basic industries, decent homes, schools, hospitals, and health centres, nutritious food, good clothing and furniture, and the like. He did not want it to be left to "the free play of market forces" to devote scarce resources to the building of cinemas and luxury flats, the manufacture of pin-tables and cocktail cabinets, the absorption of vast numbers of additional workers in distribution and personal service, while there were more urgent things to be done.

The political target for those who earnestly wanted social security was a new Government after Germany's defeat to lead the nation in a new kind of warfare: the war to build a new Britain by an organised peace effort against enemies greater than Hitler—Squalor, Ignorance, Disease, Want and Inequality—a war which would create such a demand for man power that Giant Idleness would remain in peace the insubstantial bogey he had become in war. History will record what choice the people made in the general election that followed VE Day, and historians will discuss the wisdom of that choice.

# INDEX

- ABUSE** of funds, 8, 9, 19, 24, 26, 29, 59, 61-2, 77, 92-3.  
**Acland, John**, 20.  
**Adult dependants**, 42, 41, 64-5, 70, 94.  
**Anderson, Sir John**, 12, 30, 36-7, 44, 46-7, 54, 61, 75, 81.  
**Approved societies**, 14-15, 27-8, 29, 76-8, 101-2, 103.  
**Assistance**, 22-3, 27, 32, 35, 39, 75-6, 92-3 (see also Assistance Board, Means tests, Poor Law).  
**Assistance Board**, 16-19, 25, 27, 29, 39, 43, 55, 75-6, 88-9, 92, 96, 103.  
**BEVERIDGE, Sir William**, 12, 30-32, 38, 46, 66, 75, 78, 84.  
**Beveridge Committee**, 30.  
**Beveridge Report**, 16, 18, 30-32, 104, *passim*.  
**Birth rate**, 48, 95.  
**Bismarck, Prince**, 21, 32, 104.  
**Blackley, Canon W. L.**, 21.  
**Blindness**, 7, 17, 19, 64-5.  
**Booth, Charles**, 21.  
**Bowley, Professor A. L.**, 41, 81.  
**Braithwaite, W. J.**, 12.  
**British Medical Association**, 13-14, 41.  
**Butler, R. A.**, 51.  
**CASE-WORK**, 9, 19, 22-3, 27, 102-3.  
**Chamberlain, Joseph**, 21.  
**Chamberlain, Neville**, 17.  
**Charity**, 8-9, 10, 20, 22.  
**Charity Organisation Society**, 9, 34-5.  
**Children's allowances**, 17, 25-6, 33, 35, 105; **Beveridge on**, 32, 41-2, 49-51, 57-8, 79-80; **Government scheme**, 39, 40, 49-51, 57-8, 61, 64-5, 75, 79-80, 84, 85, 87, 95, 96-8, 101, 102.  
**Churches, British Council of**, 34.  
**Churchill, Winston**, 12, 17, 38.  
**Classification of insured**, 40.  
**"Combine," the**, 14.  
**Conservative Party**, 11, 33-4, 37, 39, 106.  
**Constant attendance allowance**, 64.  
**Contributions, employers'**, 23-4, 67-8, 69, 83-6, 89, 100, 101; **personal**, 13, 23-5, 31, 46, 47, 54, 55, 60-1, 65, 83-5, 89, 99-101.  
**Contributory principle**, 31, 43, 44, 53, 95, 100-01.  
**Co-operative movement**, 7-8, 33.  
**Cost of living**, 41-2, 44-7, 81, 87, 105.  
**DEATH grants**, 8, 14, 30, 70, 72-3, 76, 81, 95, 98-9, 101.  
**Defoe, Daniel**, 20.  
**Disraeli, Benjamin**, 7.  
**Dugdale, Major**, 33-4.  
**Duplication of benefits**, 51, 97.  
**EDUCATION, Ministry of**, 51, 104.  
**Employers' Confederation, British**, 33.  
**Employment services**, 7, 12, 29, 58, 102-3.  
**Exemptions and exclusions from insurance**, 13, 25, 27, 40, 69, 88-9.  
**FAMILY allowances**, see **Children's allowances**.  
**Finance, of children's allowances**, 49-51, 95-7; **of industrial assurance**, 72-3, 98; **of industrial injury insurance**, 67-8; **of pensions**, 18, 23-4, 54-5; **of social insurance**, 23-5; **of social security services generally**, 36-7, 79-86, 87, 99-101.  
**Friendly Societies**, 7-8, 12, 13, 14-15, 27-8, 77-8; **Royal Commission on**, 1871-74, 20.  
**Funeral benefits**, see **death grants**.  
**Funerals**, 70, 98.  
**GLADSTONE, W. E.**, 20.  
**Greenwood, Arthur**, 37.  
**Gridley, Sir Arnold**, 37.  
**HARRIS, R. W.**, 15.  
**Health, Ministry of**, 28, 29, 63, 104, 106.  
**Hicks, Professor J. R.**, 24.  
**Home helps**, 95, 96.  
**Housewives**, see **Married women**.  
**Housing**, 34, 42-3, 102, 106.  
**Howlett, John**, 20.  
**INCOME limits in insurance**, 13, 17, 25.  
**Income-maintenance**, 21-22.  
**Income tax**, see **Taxation**.

- Industrial assurance, 8, 17, 21, 22, 25, 27, 35, 98-9; Beveridge on, 70-5, 99; Government scheme, 75, 99.
- Industrial assurance agencies, 8, 14-15, 27-8, 70-4, 103.
- Industrial injuries, Beveridge scheme, 63-4, 65, 66, 67; Government scheme, 39, 59, 63-8, 70, 93-4, 101, 102.
- JOWITT, Sir William, 37, 39, 44.
- KALDOR, Nicholas, 83, 86.
- LABOUR, Ministry of, 24, 25, 63, 93.
- Labour Party, 11, 33, 37, 56, 104.
- Labour tests, 9, 59.
- Land, 42, 106.
- Less eligibility, 9, 25, 92-3.
- Ley, Robert, 32.
- Levy, Hermann, 8, 28.
- Liberal Party, 11, 33.
- Lloyd George, 11, 12, 13, 14, 27.
- Lyttelton, Oliver, 83.
- MARRIED women, 28, 40, 57, 68-70.
- Maternity attendant's allowance, 68, 95-6, 101.
- Maternity benefit, 25, 61, 68, 95-6, 101.
- Maternity grant, 25, 68, 77, 87, 95-6, 101.
- Means tests, 11, 15-16, 17-18, 19, 22-3, 26, 31, 57, 62, 92, 102, 103.
- Medical services, 7, 8, 10, 11, 13, 15, 19, 29, 34, 58, 62-3, 95, 105-6; Beveridge on, 32, 40, 48, 62, 77, 85; in Government scheme, 38, 40, 62, 65, 66, 67, 79-80, 81, 84, 85, 95, 100-1, 102, 106.
- Merit-rating, 67-8.
- Minimum standards, 26, 33, 41-7, 55, 69, 76, 87, 96.
- Morant, Sir Robert, 12.
- Morrison, Herbert, 37, 59.
- Mothers, 29, 49, 57-8, 68-70, 95-6.
- NATIONAL Health Insurance scheme, 12-15, 17, 25, 26, 27-9, 60, 63, 102.
- National Insurance, Ministry of, 39, 58, 63, 75-6, 78, 102-4.
- National Providence League, 21.
- Needs, budgets of, 41-2, 49.
- Nicholson, J. L., 86.
- Old people, 10, 11, 16, 17-20, 27, 29, 40, 41-2, 43, 47-9, 51-7, 87-91, 102.
- Orphans, see Widows and orphans.
- "Overlap" problem, 25-6.
- PARENTS' pensions, 65, 94.
- Peake, Osbert, 67.
- Pensionable age, 11, 17, 56, 89-90.
- Pensions, see Industrial injuries, Occupational pensions, Old age pensions, Parents' pensions, Pensionable age, Retirement pensions, Service pensions, Supplementary pensions, War pensions, Widows' and orphans.
- Pensions, Ministry of, 75, 104.
- P E P, 93.
- Pitt, William, 20.
- Population trends, 47-8, 89-90.
- Post Office, 29.
- Post Office annuities, 20, 21.
- Post Office Savings Banks, 7.
- Poor Law, 7-11, 15-16, 17-20, 22, 27, 29, 76 (see also Assistance, Means tests); Royal Commission on, 1832-34, 9; Royal Commission on, 1905-9, 11.
- Prudential Assurance Company, 8, 15, 72.
- RATES, local government, 22, 42, 106.
- Registration of insured, 40.
- Rent, 41, 42-6, 55, 69, 88-9, 106.
- Requalification for insurance benefits, 60, 65.
- Retirement pensions, Beveridge proposals, 33, 41, 48-9, 52-6, 89; Government scheme, 40, 48-9, 52, 54-7, 58, 61, 68, 69, 70, 79-80, 84, 85, 87-91, 101.
- Round Table, 36.
- Rowntree, B. S., 41.
- SALISBURY, Marquess of, 33.
- Savings, 24, 26, 57, 86.
- School meals, 7, 11, 49-51, 79-80, 95, 97-8.
- Self-employed workers, 20, 25, 40, 57, 60-1, 84-5, 100, 101-2.
- Service pay, 97.
- Service pensions, 97, 103-4.
- Shaftesbury, Lord, 21.
- Sickness, 10, 18, 19, 26, 27, 48, 52, 58, 61-3.
- Sickness benefits (cash), 7-8, 14-15, 26, 27-8, 58, 61, 63; Beveridge on, 58, 76-7; Government scheme, 44, 55, 57, 59, 60-2, 65, 68-70, 76-8, 79-80, 84, 87, 88, 90, 91-2, 93-4, 99, 101-2.
- OCCUPATIONAL pensions, 40, 53, 57.
- Old age pensions, contributory, 16, 17, 21, 51-2; non-contributory, 11, 16, 17, 21, 29, 55; Select Committee on, 1899, 11.

- Sick-visiting, 29, 77, 92, 102.  
 Smith, Sir H. Llewellyn, 12.  
 Social insurance, 12, 20-2, 23, 31, 39, 44, 95, 104-5.  
 Social Insurance, Ministry of, 39, 75.  
 Social security, 21-2, 105.  
 Social Security, Ministry of, 32, 34, 37, 39, 75.  
 Staffs, of private insurance agencies, 9, 70, 72-5, 77, 99, 103; of public social services, 9, 24, 29, 76, 102-3.  
 Stamp, Lord, 81.  
 Stewart, Sir Malcolm, 33.  
 Subsistence needs, see Minimum standards.  
 Supplementary pensions, 16, 17-8, 88.  
 TAXATION, 24, 37, 51, 86, 95, 97-8, 99-101.  
*Telegraph, Daily*, 32-3.  
*Times*, 32, 35-6, 37, 38, 45-6, 47.  
 Trade boards, 12.  
 Trade union movement, 7-8, 12, 13, 15, 28, 33, 56, 77.  
 Training, industrial, 26, 35, 38, 59-60, 65, 66, 78, 92.  
 Tuberculosis, 19.  
 UNEMPLOYABILITY allowance, 64.  
 Unemployment, 7, 11, 15-16, 22, 24, 26, 33, 34, 35, 52, 58, 63, 78-9, 81, 85, 87, 91, 92-3, 96, 106-7; Beveridge on, 31, 32, 60, 78; Government on, 38-9, 65, 78-9, 81-2, 106.  
 Unemployment benefit, 7, 12, 15-16, 25, 26-7, 28, 61-2; Beveridge scheme, 58-60, 79-80; Government scheme, 44, 55, 57, 58-60, 62, 67, 68-70, 79-80, 84, 87, 88, 90, 91, 92-3, 94, 97, 101.  
 Universality of social insurance, 25, 31-2, 40.  
*Völkischer Beobachter*, 32.  
 Voluntary insurance, 7-8, 20, 22, 24-5, 31, 39, 53-4, 57, 68-9, 77-8, 81.  
 WAGES stop, 25.  
 Waiting time, 59.  
 War pensions, 64-5, 94, 97, 103-4.  
 Welfare, 17, 22-3, 27, 29, 35, 102-4.  
 Whitaker, Dr. Smith, 12.  
 White Papers on social insurance, 30, 39, *passim*.  
 Widows and orphans, 7, 9-10, 17-20, 27; Beveridge scheme, 55, 57-8, 64; Government scheme, 49, 55, 58, 61, 65, 68-9, 80, 94, 95, 97.  
 Wilson, Sir Arnold, 8.  
 Wood, Sir Kingsley, 14, 37.  
 Woolton, Lord, 37.  
 Workhouse, 9, 10.  
 Workmen's Compensation, 7, 11, 17, 19, 27, 33, 63-6.  
 Wright, Group-Captain, 34.













